

**COACHELLA VALLEY
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2002

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
OF RIVERSIDE COUNTY
THERMAL, CALIFORNIA

JUNE 30, 2002

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Marguerite Freeman	President	2002
Mr. Michael Wells	Vice President	2002
Mrs. Maria E. Rios	Clerk	2004
Mrs. Juanita D. Duarte	Member	2004
Mr. Gary Funtas	Member	2002
Mr. Joe Murillo	Member	2004
Mrs. Anna Rodriguez	Member	2004

ADMINISTRATION

Mr. Foch "Tut" Pensis	Superintendent
Mr. Richard Alvarez (effective November 19, 2001)	Assistant Superintendent, Administrative Services
Mrs. Carey Carlson	Assistant Superintendent, Business Services
Mr. Robert Bailey (effective November 19, 2001)	Assistant Superintendent, Educational Services
Mr. Michael Keebler (As of January 2002, Mr. Keebler is no longer with Coachella Valley Unified School District as State-Appointed Trustee)	State Appointed Trustee

ORGANIZATION

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Governing Board
Coachella Valley Unified School District
Thermal, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the Coachella Valley Unified School District at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Vavinek, Tuine, Day & Co., LLP

Rancho Cucamonga, California
November 15, 2002

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**ALL FUND TYPES AND ACCOUNT GROUP
COMBINED BALANCE SHEET
JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 20,000	\$ 1,209,861	\$ -	\$ 871,724
Investments	19,481,994	639,842	1,378,968	88,352,358
Accounts receivable	5,756,086	1,025,547	-	668,500
Due from other funds	736,027	-	-	6,640,708
Inventory	137,290	153,612	-	-
Amount available for the retirement of general long-term debt	-	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total Assets	<u>\$26,131,397</u>	<u>\$3,028,862</u>	<u>\$1,378,968</u>	<u>\$96,533,290</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	2,178,695	178,728	-	636,612
Due to other funds	-	622,695	-	6,754,040
Deferred revenue	3,081,840	30,388	-	-
Due to student groups	-	-	-	-
Claims liability	-	-	-	-
General long-term debt	-	-	-	-
Total Liabilities	<u>5,260,535</u>	<u>831,811</u>	<u>-</u>	<u>7,390,652</u>
FUND EQUITY				
Retained earnings	-	-	-	-
Fund balances				
Reserved	5,027,246	154,432	-	-
Unreserved				
Designated	14,698,942	-	-	-
Undesignated	1,144,674	2,042,619	1,378,968	89,142,638
Total Fund Equity	<u>20,870,862</u>	<u>2,197,051</u>	<u>1,378,968</u>	<u>89,142,638</u>
Total Liabilities and Fund Equity	<u>\$26,131,397</u>	<u>\$3,028,862</u>	<u>\$1,378,968</u>	<u>\$96,533,290</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Group	Total (Memorandum Only)
Internal Service	Trust and Agency	General Long-Term Debt	
\$ -	\$ 453,960	\$ -	\$ 2,555,545
444,258	-	-	110,297,420
1,198	-	-	7,451,331
-	-	-	7,376,735
-	2,775	-	293,677
-	-	2,250,693	2,250,693
-	-	30,075,899	30,075,899
<u>\$ 445,456</u>	<u>\$ 456,735</u>	<u>\$32,326,592</u>	<u>\$ 160,301,300</u>
-	30,654	-	3,024,689
-	-	-	7,376,735
-	-	-	3,112,228
-	426,081	-	426,081
310,000	-	-	310,000
-	-	32,326,592	32,326,592
<u>310,000</u>	<u>456,735</u>	<u>32,326,592</u>	<u>46,576,325</u>
135,456	-	-	135,456
-	-	-	5,181,678
-	-	-	14,698,942
-	-	-	93,708,899
<u>135,456</u>	<u>-</u>	<u>-</u>	<u>113,724,975</u>
<u>\$ 445,456</u>	<u>\$ 456,735</u>	<u>\$32,326,592</u>	<u>\$ 160,301,300</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 49,499,886	\$ 705,178	\$ -
Local sources	11,989,097	-	-
Total Revenue Limit Sources	<u>61,488,983</u>	<u>705,178</u>	<u>-</u>
Federal revenues	10,577,761	5,259,803	-
Other state revenues	21,013,070	2,021,993	10,001
Other local revenues	3,918,575	1,045,645	1,073,964
Tuition and transfers	3,894,668	-	-
Total Revenues	<u>100,893,057</u>	<u>9,032,619</u>	<u>1,083,965</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	41,375,229	1,126,519	-
Classified salaries	15,814,435	2,572,050	-
Employee benefits	15,179,038	1,177,956	-
Books and supplies	7,586,711	2,386,438	-
Services and operating expenditures	7,068,528	182,540	-
Other outgo	(342,705)	355,547	-
Capital outlay	4,424,883	1,219,134	-
Debt service - principal	1,370,981	-	295,000
Debt service - interest and other	262,071	-	590,139
Total Expenditures	<u>92,739,171</u>	<u>9,020,184</u>	<u>885,139</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>8,153,886</u>	<u>12,435</u>	<u>198,826</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	298,000	-
Operating transfers out	(1,254,804)	-	-
Total Other Financing Sources/(Uses)	<u>(1,254,804)</u>	<u>298,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>6,899,082</u>	<u>310,435</u>	<u>198,826</u>
FUND BALANCE, BEGINNING OF YEAR	13,858,449	1,886,616	1,180,142
RESIDUAL EQUITY TRANSFER	113,331	-	-
FUND BALANCE, END OF YEAR	<u>\$ 20,870,862</u>	<u>\$ 2,197,051</u>	<u>\$ 1,378,968</u>

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

<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ -	\$ 50,205,064
-	-	11,989,097
-	-	62,194,161
-	-	15,837,564
97,280,587	-	120,325,651
5,374,594	-	11,412,778
-	-	3,894,668
<u>102,655,181</u>	-	<u>213,664,822</u>
-	-	42,501,748
25,584	-	18,412,069
8,113	-	16,365,107
-	-	9,973,149
4,421,498	-	11,672,566
-	-	12,842
18,089,129	-	23,733,146
260,000	-	1,925,981
457,772	-	1,309,982
<u>23,262,096</u>	-	<u>125,906,590</u>
<u>79,393,085</u>	-	<u>87,758,232</u>
7,697,763	-	7,995,763
<u>(6,740,959)</u>	-	<u>(7,995,763)</u>
<u>956,804</u>	-	<u>-</u>
80,349,889	-	87,758,232
8,906,080	23,057	25,854,344
(113,331)	(23,057)	(23,057)
<u>\$ 89,142,638</u>	<u>\$ -</u>	<u>\$ 113,589,519</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 50,318,896	\$ 49,499,886	\$ (819,010)
Local sources	11,035,566	11,989,097	953,531
Total Revenue Limit Sources	61,354,462	61,488,983	134,521
Federal revenues	13,162,206	10,577,761	(2,584,445)
Other state revenues	21,682,315	21,013,070	(669,245)
Other local revenues	2,306,016	3,918,575	1,612,559
Tuition and transfers	3,822,607	3,894,668	72,061
Total Revenues	102,327,606	100,893,057	(1,434,549)
EXPENDITURES			
Current Expenditures			
Certificated salaries	43,779,263	41,375,229	2,404,034
Classified salaries	16,773,930	15,814,435	959,495
Employee benefits	15,885,277	15,179,038	706,239
Books and supplies	13,544,619	7,586,711	5,957,908
Services and operating expenditures	8,617,897	7,068,528	1,549,369
Other outgo	(364,315)	(342,705)	(21,610)
Capital outlay	5,728,944	4,424,883	1,304,061
Debt service - principal	1,633,053	1,370,981	262,072
Debt service - interest and other	-	262,071	(262,071)
Total Expenditures	105,598,668	92,739,171	12,859,497
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(3,271,062)	8,153,886	11,424,948
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(1,052,175)	(1,254,804)	(202,629)
Total Other Financing Sources/(Uses)	(1,052,175)	(1,254,804)	(202,629)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(4,323,237)	6,899,082	11,222,319
FUND BALANCE, BEGINNING OF YEAR	13,858,449	13,858,449	-
RESIDUAL EQUITY TRANSFER	-	113,331	113,331
FUND BALANCE, END OF YEAR	<u>\$ 9,535,212</u>	<u>\$ 20,870,862</u>	<u>\$ 11,222,319</u>

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 676,771	\$ 705,178	\$ 28,407	\$ -	\$ -	\$ -
-	-	-	-	-	-
676,771	705,178	28,407	-	-	-
4,635,871	5,259,803	623,932	-	-	-
2,114,034	2,021,993	(92,041)	11,694	10,001	(1,693)
989,742	1,045,645	55,903	915,140	1,073,964	158,824
-	-	-	-	-	-
8,416,418	9,032,619	616,201	926,834	1,083,965	157,131
1,056,495	1,126,519	(70,024)	-	-	-
2,570,906	2,572,050	(1,144)	-	-	-
1,275,944	1,177,956	97,988	-	-	-
2,459,751	2,386,438	73,313	-	-	-
219,990	182,540	37,450	-	-	-
386,816	355,547	31,269	-	-	-
1,220,292	1,219,134	1,158	-	-	-
-	-	-	295,000	295,000	-
-	-	-	590,244	590,139	105
9,190,194	9,020,184	170,010	885,244	885,139	105
(773,776)	12,435	786,211	41,590	198,826	157,236
298,000	298,000	-	-	-	-
-	-	-	-	-	-
298,000	298,000	-	-	-	-
(475,776)	310,435	786,211	41,590	198,826	157,236
1,886,616	1,886,616	-	1,180,142	1,180,142	-
-	-	-	-	-	-
\$ 1,410,840	\$ 2,197,051	\$ 786,211	\$ 1,221,732	\$ 1,378,968	\$ 157,236

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Local sources	-	-	-
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	97,284,887	97,280,587	(4,300)
Other local revenues	4,570,213	5,374,594	804,381
Tuition and transfers	1,940,696	-	(1,940,696)
Total Revenues	<u>103,795,796</u>	<u>102,655,181</u>	<u>(1,140,615)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	52,022	25,584	26,438
Employee benefits	16,708	8,113	8,595
Books and supplies	500	-	500
Services and operating expenditures	4,564,049	4,421,498	142,551
Other outgo	-	-	-
Capital outlay	27,501,787	18,089,129	9,412,658
Debt service - principal	-	260,000	(260,000)
Debt service - interest and other	-	457,772	(457,772)
Total Expenditures	<u>32,135,066</u>	<u>23,262,096</u>	<u>8,872,970</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>71,660,730</u>	<u>79,393,085</u>	<u>7,732,355</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	1,508,350	7,697,763	6,189,413
Operating transfers out	(2,694,871)	(6,740,959)	(4,046,088)
Total Other Financing Sources/(Uses)	<u>(1,186,521)</u>	<u>956,804</u>	<u>2,143,325</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>70,474,209</u>	<u>80,349,889</u>	<u>9,875,680</u>
FUND BALANCE, BEGINNING OF YEAR	8,906,080	8,906,080	-
RESIDUAL EQUITY TRANSFER	-	(113,331)	6,189,413
FUND BALANCE, END OF YEAR	<u>\$ 79,380,289</u>	<u>\$ 89,142,638</u>	<u>\$ 9,875,680</u>

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

Total (Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 50,995,667	\$ 50,205,064	\$ (790,603)
11,035,566	11,989,097	953,531
<u>62,031,233</u>	<u>62,194,161</u>	<u>162,928</u>
17,798,077	15,837,564	(1,960,513)
121,092,930	120,325,651	(767,279)
8,781,111	11,412,778	2,631,667
5,763,303	3,894,668	(1,868,635)
<u>215,466,654</u>	<u>213,664,822</u>	<u>(1,801,832)</u>
44,835,758	42,501,748	2,334,010
19,396,858	18,412,069	984,789
17,177,929	16,365,107	812,822
16,004,870	9,973,149	6,031,721
13,401,936	11,672,566	1,729,370
22,501	12,842	9,659
34,451,023	23,733,146	10,717,877
1,928,053	1,925,981	2,072
590,244	1,309,982	(719,738)
<u>147,809,172</u>	<u>125,906,590</u>	<u>21,902,582</u>
<u>67,657,482</u>	<u>87,758,232</u>	<u>20,100,750</u>
1,806,350	7,995,763	6,189,413
<u>(3,747,046)</u>	<u>(7,995,763)</u>	<u>(4,248,717)</u>
<u>(1,940,696)</u>	<u>-</u>	<u>1,940,696</u>
65,716,786	87,758,232	22,041,446
25,831,287	25,831,287	-
-	-	6,189,413
<u>\$ 91,548,073</u>	<u>\$ 113,589,519</u>	<u>\$ 22,041,446</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Internal Service</u>
OPERATING REVENUE	
Other local revenues	\$ 1,575,765
OPERATING EXPENSES	
Services and other operating expenditures	<u>1,832,850</u>
NET LOSS	(257,085)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>392,541</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 135,456</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (257,085)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Changes in assets and liabilities	
(Increase)/decrease in:	
Cash	(444,258)
Accounts receivable	2,226
Increase in:	
Claims liability	<u>310,000</u>
Net Cash Flows From Operating Activities	55,141
CASH, BEGINNING OF YEAR	<u>389,117</u>
CASH, END OF YEAR	<u><u>\$ 444,258</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Coachella Valley Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, (except that a complete historical cost record of fixed assets has not been maintained). The Coachella Valley Unified School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

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

B. 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 balance (or retained earnings), revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- 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 specific revenue sources that are legally restricted to expenditures for specific purposes.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

Proprietary Funds

- Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee.
- Agency Funds are used to account for assets of others for which the District acts as agent, such as for the student funds.

Account Group

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

- The General Long-term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

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

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Encumbrances

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

F. Inventory

Inventory is valued at lower of cost utilizing the weighted average method. Inventory in the applicable funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve that indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is recognized at year-end in the governmental fund that will pay the benefit. The noncurrent portion of the liability is recognized in the general long-term debt account group.

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

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

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes for the District. The District recognizes tax revenues when received.

K. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the internal service fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

L. Deferred Revenue

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

M. Use of Estimates

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

N. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "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 accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

NOTE #2 – CASH

Cash at June 30, 2002, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Cash on hand and in banks	\$ 79,754	\$ -	\$ 808,178	\$ 887,932	\$ 1,663,001
Cash in revolving fund	20,246	-	-	20,246	20,820
Cash with fiscal agent	-	-	871,724	871,724	871,724
Total	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,679,902</u>	<u>\$ 1,779,902</u>	<u>\$ 2,555,545</u>

*These categories are as follows:

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

NOTE #3 – INVESTMENTS

Investments at June 30, 2002, held on behalf of Coachella Valley Unified School District are presented below:

	Reported Amount	Fair Value
Uncategorized:		
Deposits with county treasurer	<u>\$ 110,297,420</u>	<u>\$ 110,515,390</u>

A. Authorized Investments

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

B. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Riverside. School districts are required to deposit all receipts and collections of moneys with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2002, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Proprietary</u>	<u>Total</u>
Federal Government					
Categorical aid	\$ 1,098,405	\$ 853,529	\$ -	\$ -	\$ 1,951,934
State Government					
Apportionment	416,979	-	-	-	416,979
Categorical aid	790,759	57,487	-	-	848,246
Lottery	977,957	-	-	-	977,957
Other state	-	68,277	-	-	68,277
Local Government					
Interest	88,705	2,993	375,962	1,198	468,858
Indemnity Settlements	1,418,928	-	-	-	1,418,928
Other Local Sources	964,353	43,261	292,538	-	1,300,152
Total	<u>\$ 5,756,086</u>	<u>\$ 1,025,547</u>	<u>\$ 668,500</u>	<u>\$ 1,198</u>	<u>\$ 7,451,331</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

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

Funds	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 736,027	\$ -
Adult	-	36,547
Cafeteria	-	487,227
Child Development	-	98,921
Building	-	1,422,044
Capital Facilities	-	4,815,651
State School Building Lease/Purchase	-	113,331
County School Facilities	6,640,708	-
Special Reserve - Capital Outlay	-	403,014
Total	<u>\$7,376,735</u>	<u>\$7,376,735</u>

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2002, are as follows:

The General Fund transferred to the Adult Education Fund for lottery funds received.	\$ 38,000
The General Fund transferred to the Deferred Maintenance Fund for the required State match.	260,000
The General Fund transferred to the Special Reserve Fund for redevelopment funds received.	956,804
The Building Fund transferred to the County School Facilities Fund for construction and project cost reimbursement.	1,512,441
The Capital Facilities Fund transferred to the County School Facilities for construction and project cost reimbursement.	4,825,504
The Special Reserve Fund transferred to the County School Facilities for construction and project cost reimbursement.	403,014
Total	<u>\$ 7,995,763</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

C. Equity Fund Transfers

Equity fund transfers involve non-recurring or non-routine transfers of equity between funds. Equity fund transfers for the year ended June 30, 2002, are as follows:

The State School Building Lease Purchase Fund transferred to the General Fund for fund liquidation.	\$ 113,331
The following residual equity transfer has been made to conform with the financial statement presentation guidelines as reflected in the Standards and Procedures for Audits of California K-12 Local Education Agencies:	
The Expendable Trust Funds transferred to the Agency Funds	<u>23,057</u>
Total	<u><u>\$ 136,388</u></u>

NOTE #6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2002, consists of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary</u>	<u>Total</u>
Accrued salaries and benefits	\$ 205,244	\$ 27,833	\$ -	\$ -	\$ 233,077
Accrued vacation	377,870	-	-	-	377,870
Apportionment	601,543	17,574	-	-	619,117
Supplies	344,312	-	-	-	344,312
Services	539,935	-	-	-	539,935
Constructions	41,968	11,201	415,638	-	468,807
Other	67,823	122,120	220,974	30,654	441,571
Total	<u><u>\$ 2,178,695</u></u>	<u><u>\$ 178,728</u></u>	<u><u>\$ 636,612</u></u>	<u><u>\$ 30,654</u></u>	<u><u>\$ 3,024,689</u></u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE #7 – DEFERRED REVENUE

Deferred revenue at June 30, 2002, consists of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Federal financial assistance	\$ 1,257,120	\$ 18,805	\$ 1,275,925
State categorical aid	1,824,720	11,583	1,836,303
Total	<u>\$ 3,081,840</u>	<u>\$ 30,388</u>	<u>\$ 3,112,228</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #8 – FUND BALANCES

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

	<u>General</u>	<u>Special Revenue</u>
Reserved		
Revolving cash	\$ 20,000	\$ 820
Inventory	137,290	153,612
Restricted programs	4,869,956	-
Total Reserved	<u>5,027,246</u>	<u>154,432</u>
Unreserved		
Designated		
Economic uncertainties	2,819,819	-
K-12 education park - operations	1,200,000	-
Future schools	119,512	-
Emergency loan payoff	410,888	-
Lottery	1,576,366	-
K-12 education park - capital outlay	838,351	-
Future schools - capital outlay	750,000	-
Emergency services	500,000	-
Equipment replacement	1,300,000	-
2001-02 carryovers	1,439,006	-
Cesar Chavez school repairs	1,745,000	-
Deferred maintenance transfer	300,000	-
Facilities and infrastructure improvement	1,200,000	-
Textbooks adoptions	500,000	-
Total Designated	<u>14,698,942</u>	<u>-</u>
Undesignated	1,144,674	2,042,619
Total Unreserved	<u>15,843,616</u>	<u>2,042,619</u>
Total	<u>\$ 20,870,862</u>	<u>\$ 2,197,051</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #9 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

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

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
General obligation bonds	\$ 19,344,278	\$ 1,627,562	\$ 295,000	\$ 20,676,840
Certificates of participation	6,050,000	-	260,000	5,790,000
Accumulated vacation - net	620,039	52,952	-	672,991
Supplemental Early Retirement Plan (SERP)	1,240,258	993,649	434,576	1,799,331
Capital leases	3,847,734	-	460,304	3,387,430
Emergency Apportionment Loan	910,679	-	910,679	-
	<u>\$ 32,012,988</u>	<u>\$ 2,674,163</u>	<u>\$ 1,449,880</u>	<u>32,326,592</u>
Amount currently available and reserved for retirement of general long-term debt				
Bond interest and redemption			1,378,968	
Special reserve - capital projects			871,725	<u>2,250,693</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 30,075,899</u>

B. General Obligation Bonds

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

On September 1, 1998, the District issued \$9,999,278 of Series B general obligation bonds to fund school construction. The interest rate on the bonds ranges from 3.70 to 7.75 percent. The final maturity is on August 1, 2023. Debt service payments are scheduled annually at amounts that range from \$166,000 to \$375,000.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted To Date	Redeemed	Bonds Outstanding End of Year
3/4/97	2022	4.80-5.00%	\$ 10,000,000	\$ 9,380,000	\$ -	\$ 235,000	\$ 9,145,000
8/19/97	2023	2.00-5.28%	9,999,278	9,964,278	1,627,562	60,000	11,531,840
				<u>\$ 19,344,278</u>	<u>\$ 1,627,562</u>	<u>\$ 295,000</u>	<u>\$ 20,676,840</u>

Debt Service Requirements to Maturity

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2003	\$ 380,000	\$ -	\$ 574,918	\$ 954,918
2004	460,000	-	556,131	1,016,131
2005	530,000	-	534,211	1,064,211
2006	615,000	-	508,926	1,123,926
2007	695,000	-	479,826	1,174,826
2008-2012	4,354,709	876,990	1,869,136	7,100,835
2013-2017	5,210,819	2,659,200	1,244,205	9,114,224
2018-2022	6,250,602	4,839,494	570,780	11,660,876
2023-2027	2,180,710	2,522,482	17,625	4,720,817
Total	<u>\$ 20,676,840</u>	<u>\$ 10,898,166</u>	<u>\$ 6,355,758</u>	<u>\$ 37,930,764</u>

C. 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 ranging from 7.75 to 8.25 percent. At June 30, 2002, the principal balance outstanding was \$5,790,000.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

The certificates mature through 2013 as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 300,000	\$ 471,694	\$ 771,694
2004	340,000	446,325	786,325
2005	385,000	417,243	802,243
2006	425,000	384,656	809,656
2007	485,000	348,356	833,356
2008-2012	3,410,000	1,019,494	4,429,494
2013	445,000	18,357	463,357
Total	<u>\$ 5,790,000</u>	<u>\$ 3,106,125</u>	<u>\$ 8,896,125</u>

D. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2002, amounted to \$672,991.

E. 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 23 employees who retired after 1997, were purchased from American Fidelity Insurance Company.

Future annuity payments are as follows:

Year Ending June 30,	Total Payments
2003	\$ 499,318
2004	464,948
2005	354,084
2006	309,704
2007	171,277
Total	<u>\$ 1,799,331</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

F. Capital Leases

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

Balance, Beginning of Year	\$ 4,733,153
Payments	676,163
Balance, End of Year	<u>\$ 4,056,990</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2003	\$ 676,165
2004	676,165
2005	676,165
2006	676,165
2007	676,165
2008-2012	676,165
Total	<u>4,056,990</u>
Less: Amount Representing Interest	669,560
Present Value of Minimum Lease Payments	<u>\$ 3,387,430</u>

G. 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 to 4.493 percent to the State. The remaining balance has been paid in full in fiscal year 2001-02.

NOTE #10 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

A. STRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2001-2002 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2002, 2001, and 2000, were \$3,164,882, \$2,870,562, and \$2,467,536, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2001-2002 was zero percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2002, 2001, and 2000, were zero, and equal 100 percent of the required contributions for each year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

C. Alternative Retirement Program

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

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

During the year, the District's required and actual contributions amounted to \$53,424, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$53,424, which was 3.75 percent of the covered payroll.

D. On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$757,652 (1.975 percent of salaries subject to STRS). A contribution to PERS was not required for the year ended June 30, 2002. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE #11 – RISK MANAGEMENT – CLAIMS

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year ending June 30, 2002, the District participated in the Riverside Schools' Insurance Authority (RISA) public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

B. Workers' Compensation

For fiscal year 2002, the District participated in the Desert Schools Self-Insurance Program for Employees (DSSIPE) public entity risk pool. The intent of DSSIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in DSSIPE. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Participation in DISSIPE is limited to local educational agencies that can meet DSSIPE selection criteria.

C. Employee Medical Benefits

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

D. Claims Liabilities

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

E. Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2001, to June 30, 2002 (in thousands):

	Dental and Vision
Liability Balance, June 30, 2001	\$ -
Claims and changes in estimates	2,142,850
Claims payments	(1,832,850)
Liability Balance, June 30, 2002	<u>\$ 310,000</u>
Assets available to pay claims at June 30, 2002	<u>\$ 445,456</u>

NOTE #12 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

B. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 43 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees premiums are paid. During the year, expenditures of \$127,075 were recognized for retirees' health care benefits.

C. Construction Commitments

As of June 30, 2002, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
K-12 Mega Site Growth Project	<u>\$ 29,690,240</u>	<u>12/01/03</u>

D. Operating Leases

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give operating rights or leases obligations. These leases have, therefore, not been accounted for as capital leases in the general long-term debt of accounts.

The following is a schedule, by years, of the minimum rental payments required under operating leases that have remained non-cancelable lease terms in excess of one year, as of June 30, 2002.

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2003	\$ 206,200
2004	10,200
2005	10,200
2006	10,200
2007	10,200
Thereafter	40,800
Total	<u>\$ 287,800</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE #13 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

<u>A. Entity</u>	<u>RSIA</u>	<u>DSSIPE</u>
<u>B. Purpose</u>	Arranges for and provides property and liability insurance for its members.	Arranges for and provides workers' compensation coverage for its members.
<u>C. Participants</u>	Various school entities in San Bernardino and Riverside counties.	Various school entities in Riverside counties.
<u>D. Governing Board</u>	Representative from each member district.	Representative from each member district.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

E. Condensed Audited Financial Information Follows

	<u>RSIA</u>	<u>DSSIPE</u>
	<u>June 30, 2002</u>	<u>June 30, 2001*</u>
Assets	\$ 5,920,916	\$ 4,196,825
Liabilities	3,588,844	609,403
Fund Equity	<u>\$ 2,332,072</u>	<u>\$ 4,806,228</u>
Revenues	5,897,684	673,561
Expenses	(4,877,710)	(402,408)
Distributions	(577,077)	-
Net Increase in Fund Equity	<u>\$ 442,897</u>	<u>\$ 271,153</u>
F. <u>Payments for the Current Year</u>	<u>\$ 373,501</u>	<u>\$ 1,276,219</u>

* Most recent information available.

None of the JPA's had long-term debts outstanding at June 30, 2002 or 2001, as presented. The District's share of year-end assets, liabilities or fund equity has not been calculated.

NOTE #14 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2002, the following District funds exceeded the budgeted amounts in total as follows:

Funds	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Adult	<u>\$ 804,178</u>	<u>\$ 844,124</u>	<u>\$ (39,946)</u>
State School Building Lease Purchase	<u>\$ -</u>	<u>\$ 35,634</u>	<u>\$ (35,634)</u>
Special Reserve (Capital Projects)	<u>\$ 192,321</u>	<u>\$ 746,578</u>	<u>\$ (554,257)</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE #15 – NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" as amended by GASB Statements No. 37 and No. 38. This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

- A. Management's Discussion and Analysis (MD&A)
- B. Basic Financial Statements which include:
 - Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
 - Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
 - Required supplementary information.
- C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:
 - Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.
 - Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.
 - Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2003. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002**

	Adult Education	Cafeteria	Child Development
ASSETS			
Cash	\$ -	\$ 1,209,861	\$ -
Investments	134,656	-	98,301
Accounts receivable	24,165	899,501	100,328
Inventory	-	153,612	-
Total Assets	<u>\$ 158,821</u>	<u>\$ 2,262,974</u>	<u>\$ 198,629</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	43,170	111,419	12,938
Due to other funds	36,547	487,227	98,921
Deferred revenue	-	-	30,388
Total Liabilities	<u>79,717</u>	<u>598,646</u>	<u>142,247</u>
FUND EQUITY			
Fund balances			
Reserved	-	154,432	-
Unreserved			
Undesignated	79,104	1,509,896	56,382
Total Fund Equity	<u>79,104</u>	<u>1,664,328</u>	<u>56,382</u>
Total Liabilities and Fund Equity	<u>\$ 158,821</u>	<u>\$ 2,262,974</u>	<u>\$ 198,629</u>

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

<u>Deferred Maintenance</u>	<u>Total</u>
\$ -	\$ 1,209,861
406,885	639,842
1,553	1,025,547
-	153,612
<u>\$ 408,438</u>	<u>\$ 3,028,862</u>

11,201	178,728
-	622,695
-	30,388
<u>11,201</u>	<u>831,811</u>

-	154,432
<u>397,237</u>	<u>2,042,619</u>
<u>397,237</u>	<u>2,197,051</u>
<u>\$ 408,438</u>	<u>\$ 3,028,862</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Adult Education	Cafeteria	Child Development
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 705,178	\$ -	\$ -
Total Revenue Limit Sources	705,178	-	-
Federal revenues	36,450	4,857,242	366,111
Other state revenues	19,957	298,341	1,364,011
Other local revenues	37,317	953,691	41,450
Total Revenues	<u>798,902</u>	<u>6,109,274</u>	<u>1,771,572</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	504,504	-	622,015
Classified salaries	65,731	1,934,564	571,755
Employee benefits	86,297	711,998	379,661
Books and supplies	89,193	2,230,716	66,529
Services and operating expenditures	34,975	130,729	16,836
Other outgo	34,838	226,183	94,526
Capital outlay	28,586	135,532	19,612
Total Expenditures	<u>844,124</u>	<u>5,369,722</u>	<u>1,770,934</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(45,222)</u>	<u>739,552</u>	<u>638</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	38,000	-	-
Total Other Financing Sources/(Uses)	<u>38,000</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(7,222)	739,552	638
FUND BALANCE, BEGINNING OF YEAR	86,326	924,776	55,744
FUND BALANCE, END OF YEAR	<u>\$ 79,104</u>	<u>\$ 1,664,328</u>	<u>\$ 56,382</u>

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

<u>Deferred Maintenance</u>	<u>Total</u>
\$ -	\$ 705,178
-	705,178
-	5,259,803
339,684	2,021,993
13,187	1,045,645
<u>352,871</u>	<u>9,032,619</u>
-	1,126,519
-	2,572,050
-	1,177,956
-	2,386,438
-	182,540
-	355,547
1,035,404	1,219,134
<u>1,035,404</u>	<u>9,020,184</u>
<u>(682,533)</u>	<u>12,435</u>
<u>260,000</u>	<u>298,000</u>
<u>260,000</u>	<u>298,000</u>
(422,533)	310,435
819,770	1,886,616
<u>\$ 397,237</u>	<u>\$ 2,197,051</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Adult Education		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ 676,771	\$ 705,178	\$ 28,407
Total Revenue Limit Sources	676,771	705,178	28,407
Federal revenues	36,450	36,450	-
Other state revenues	19,957	19,957	-
Other local revenues	28,000	37,317	9,317
Total Revenues	761,178	798,902	37,724
EXPENDITURES			
Current Expenditures			
Certificated salaries	423,758	504,504	(80,746)
Classified salaries	57,912	65,731	(7,819)
Employee benefits	106,656	86,297	20,359
Books and supplies	107,055	89,193	17,862
Services and operating expenditures	43,259	34,975	8,284
Other outgo	36,700	34,838	1,862
Capital outlay	28,838	28,586	252
Total Expenditures	804,178	844,124	(39,946)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(43,000)	(45,222)	(2,222)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	38,000	38,000	-
Total Other Financing Sources/(Uses)	38,000	38,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(5,000)	(7,222)	(2,222)
FUND BALANCE, BEGINNING OF YEAR	86,326	86,326	-
FUND BALANCE, END OF YEAR	\$ 81,326	\$ 79,104	\$ (2,222)

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

Cafeteria			Child Development		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
4,214,506	4,857,242	642,736	384,915	366,111	(18,804)
289,722	298,341	8,619	1,464,671	1,364,011	(100,660)
906,588	953,691	47,103	35,154	41,450	6,296
<u>5,410,816</u>	<u>6,109,274</u>	<u>698,458</u>	<u>1,884,740</u>	<u>1,771,572</u>	<u>(113,168)</u>
-	-	-	632,737	622,015	10,722
1,910,814	1,934,564	(23,750)	602,180	571,755	30,425
735,635	711,998	23,637	433,653	379,661	53,992
2,253,358	2,230,716	22,642	99,338	66,529	32,809
154,271	130,729	23,542	22,460	16,836	5,624
250,000	226,183	23,817	100,116	94,526	5,590
92,000	135,532	(43,532)	50,000	19,612	30,388
<u>5,396,078</u>	<u>5,369,722</u>	<u>26,356</u>	<u>1,940,484</u>	<u>1,770,934</u>	<u>169,550</u>
<u>14,738</u>	<u>739,552</u>	<u>724,814</u>	<u>(55,744)</u>	<u>638</u>	<u>56,382</u>
-	-	-	-	-	-
-	-	-	-	-	-
14,738	739,552	724,814	(55,744)	638	56,382
924,776	924,776	-	55,744	55,744	-
<u>\$ 939,514</u>	<u>\$ 1,664,328</u>	<u>\$ 724,814</u>	<u>\$ -</u>	<u>\$ 56,382</u>	<u>\$ 56,382</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Deferred Maintenance		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	\$ -	\$ -	\$ -
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	339,684	339,684	-
Other local revenues	20,000	13,187	(6,813)
Total Revenues	<u>359,684</u>	<u>352,871</u>	<u>(6,813)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	-	-
Services and operating expenditures	-	-	-
Other outgo	-	-	-
Capital outlay	1,049,454	1,035,404	14,050
Total Expenditures	<u>1,049,454</u>	<u>1,035,404</u>	<u>14,050</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(689,770)</u>	<u>(682,533)</u>	<u>7,237</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	260,000	260,000	-
Total Other Financing Sources/(Uses)	<u>260,000</u>	<u>260,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(429,770)	(422,533)	7,237
FUND BALANCE, BEGINNING OF YEAR	<u>819,770</u>	<u>819,770</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 390,000</u>	<u>\$ 397,237</u>	<u>\$ 7,237</u>

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

Total		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 676,771	\$ 705,178	\$ 28,407
676,771	705,178	28,407
4,635,871	5,259,803	623,932
2,114,034	2,021,993	(92,041)
989,742	1,045,645	55,903
<u>8,416,418</u>	<u>9,032,619</u>	<u>616,201</u>
1,056,495	1,126,519	(70,024)
2,570,906	2,572,050	(1,144)
1,275,944	1,177,956	97,988
2,459,751	2,386,438	73,313
219,990	182,540	37,450
386,816	355,547	31,269
1,220,292	1,219,134	1,158
<u>9,190,194</u>	<u>9,020,184</u>	<u>170,010</u>
<u>(773,776)</u>	<u>12,435</u>	<u>786,211</u>
<u>298,000</u>	<u>298,000</u>	<u>-</u>
<u>298,000</u>	<u>298,000</u>	<u>-</u>
(475,776)	310,435	786,211
1,886,616	1,886,616	-
<u>\$ 1,410,840</u>	<u>\$ 2,197,051</u>	<u>\$ 786,211</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002**

	<u>Building</u>	<u>Capital Facilities</u>	<u>State School Building</u>
ASSETS			
Cash	\$ -	\$ -	\$ -
Investments	1,418,960	4,790,410	326,821
Accounts receivable	4,848	47,436	1,528
Due from other funds	-	-	-
Total Assets	<u>\$ 1,423,808</u>	<u>\$ 4,837,846</u>	<u>\$ 328,349</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	1,764	22,195	215,018
Due to other funds	1,422,044	4,815,651	113,331
Total Liabilities	<u>1,423,808</u>	<u>4,837,846</u>	<u>328,349</u>
FUND EQUITY			
Fund balances			
Unreserved			
Undesignated	-	-	-
Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 1,423,808</u>	<u>\$ 4,837,846</u>	<u>\$ 328,349</u>

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

Special Reserve	County Schools Facilities	Total
\$ 871,724	\$ -	\$ 871,724
405,634	81,410,533	88,352,358
998	613,690	668,500
-	6,640,708	6,640,708
<u>\$ 1,278,356</u>	<u>\$ 88,664,931</u>	<u>\$ 96,533,290</u>

3,617	394,018	636,612
403,014	-	6,754,040
<u>406,631</u>	<u>394,018</u>	<u>7,390,652</u>

<u>871,725</u>	<u>88,270,913</u>	<u>89,142,638</u>
<u>871,725</u>	<u>88,270,913</u>	<u>89,142,638</u>
<u>\$ 1,278,356</u>	<u>\$ 88,664,931</u>	<u>\$ 96,533,290</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Building	Capital Facilities	State School Building
REVENUES			
Other local revenues	\$ 76,111	\$ 4,585,355	\$ 3,335
Total Revenues	<u>76,111</u>	<u>4,585,355</u>	<u>3,335</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	-	25,584	-
Employee benefits	-	8,113	-
Services and operating expenditures	1,379	4,384,485	35,634
Capital outlay	128,264	1,409,308	-
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>129,643</u>	<u>5,827,490</u>	<u>35,634</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(53,532)</u>	<u>(1,242,135)</u>	<u>(32,299)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(1,512,441)	(4,825,504)	-
Total Other Financing Sources/(Uses)	<u>(1,512,441)</u>	<u>(4,825,504)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(1,565,973)</u>	<u>(6,067,639)</u>	<u>(32,299)</u>
FUND BALANCE, BEGINNING OF YEAR	1,565,973	6,067,639	145,630
RESIDUAL EQUITY TRANSFER	-	-	(113,331)
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Reserve	County Schools Facilities	Total
\$ 10,699	\$ 699,094	\$ 5,374,594
<u>10,699</u>	<u>97,979,681</u>	<u>102,655,181</u>
-	-	25,584
-	-	8,113
-	-	4,421,498
28,806	16,522,751	18,089,129
260,000	-	260,000
457,772	-	457,772
<u>746,578</u>	<u>16,522,751</u>	<u>23,262,096</u>
<u>(735,879)</u>	<u>81,456,930</u>	<u>79,393,085</u>
956,804	6,740,959	7,697,763
<u>(403,014)</u>	<u>-</u>	<u>(6,740,959)</u>
<u>553,790</u>	<u>6,740,959</u>	<u>956,804</u>
(182,089)	88,197,889	80,349,889
1,053,814	73,024	8,906,080
-	-	(113,331)
<u>\$ 871,725</u>	<u>\$ 88,270,913</u>	<u>\$ 89,142,638</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2002**

	Building		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other local revenues	\$ 125,000	\$ 76,111	\$ (48,889)
Tuition and transfers	-	-	-
Total Revenues	<u>125,000</u>	<u>76,111</u>	<u>(48,889)</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	-	-
Services and operating expenditures	1,379	1,379	-
Capital outlay	908,898	128,264	780,634
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>910,277</u>	<u>129,643</u>	<u>780,634</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(785,277)</u>	<u>(53,532)</u>	<u>731,745</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	<u>(780,696)</u>	<u>(1,512,441)</u>	<u>(731,745)</u>
Total Other Financing Sources/(Uses)	<u>(780,696)</u>	<u>(1,512,441)</u>	<u>(731,745)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(1,565,973)	(1,565,973)	-
FUND BALANCE, BEGINNING OF YEAR	1,565,973	1,565,973	-
RESIDUAL EQUITY TRANSFER	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Capital Facilities			State School Building		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,381,213	\$ 4,585,355	\$ 204,142	\$ 9,000	\$ 3,335	\$ (5,665)
-	-	-	-	-	-
<u>4,381,213</u>	<u>4,585,355</u>	<u>204,142</u>	<u>9,000</u>	<u>3,335</u>	<u>(5,665)</u>
52,022	25,584	26,438	-	-	-
16,708	8,113	8,595	-	-	-
500	-	500	-	-	-
4,562,670	4,384,485	178,185	-	35,634	(35,634)
4,656,952	1,409,308	3,247,644	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,288,852</u>	<u>5,827,490</u>	<u>3,461,362</u>	<u>-</u>	<u>35,634</u>	<u>(35,634)</u>
<u>(4,907,639)</u>	<u>(1,242,135)</u>	<u>3,665,504</u>	<u>9,000</u>	<u>(32,299)</u>	<u>(41,299)</u>
-	-	-	-	-	-
<u>(1,160,000)</u>	<u>(4,825,504)</u>	<u>(3,665,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,160,000)</u>	<u>(4,825,504)</u>	<u>(3,665,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(6,067,639)	(6,067,639)	-	9,000	(32,299)	(41,299)
6,067,639	6,067,639	-	145,630	145,630	-
-	-	-	-	(113,331)	(113,331)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,630</u>	<u>\$ -</u>	<u>\$ (154,630)</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Special Reserve		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Other local revenues	\$ 5,000	\$ 10,699	\$ 5,699
Tuition and transfers	-	-	-
Total Revenues	<u>5,000</u>	<u>10,699</u>	<u>5,699</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	-	-	-
Services and operating expenditures	-	-	-
Capital outlay	192,321	28,806	163,515
Debt service - principal	-	260,000	(260,000)
Debt service - interest and other	-	457,772	(457,772)
Total Expenditures	<u>192,321</u>	<u>746,578</u>	<u>(554,257)</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(187,321)</u>	<u>(735,879)</u>	<u>(548,558)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	1,508,350	956,804	(551,546)
Operating transfers out	(754,175)	(403,014)	351,161
Total Other Financing Sources/(Uses)	<u>754,175</u>	<u>553,790</u>	<u>(200,385)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	566,854	(182,089)	(748,943)
FUND BALANCE, BEGINNING OF YEAR	1,053,814	1,053,814	-
RESIDUAL EQUITY TRANSFER	-	-	-
FUND BALANCE, END OF YEAR	<u><u>\$ 1,620,668</u></u>	<u><u>\$ 871,725</u></u>	<u><u>\$ (748,943)</u></u>

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

County Schools Facilities			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 50,000	\$ 699,094	\$ 649,094	\$ 4,570,213	\$ 5,374,594	\$ 804,381
1,940,696	-	(1,940,696)	1,940,696	-	(1,940,696)
<u>99,275,583</u>	<u>97,979,681</u>	<u>(1,295,902)</u>	<u>103,795,796</u>	<u>102,655,181</u>	<u>(1,140,615)</u>
-	-	-	52,022	25,584	26,438
-	-	-	16,708	8,113	8,595
-	-	-	500	-	500
-	-	-	4,564,049	4,421,498	142,551
21,743,616	16,522,751	5,220,865	27,501,787	18,089,129	9,412,658
-	-	-	-	260,000	(260,000)
-	-	-	-	457,772	(457,772)
<u>21,743,616</u>	<u>16,522,751</u>	<u>5,220,865</u>	<u>32,135,066</u>	<u>23,262,096</u>	<u>8,872,970</u>
<u>77,531,967</u>	<u>81,456,930</u>	<u>3,924,963</u>	<u>71,660,730</u>	<u>79,393,085</u>	<u>7,732,355</u>
-	6,740,959	6,740,959	1,508,350	7,697,763	6,189,413
-	-	-	(2,694,871)	(6,740,959)	(4,046,088)
-	<u>6,740,959</u>	<u>6,740,959</u>	<u>(1,186,521)</u>	<u>956,804</u>	<u>2,143,325</u>
77,531,967	88,197,889	10,665,922	70,474,209	80,349,889	9,875,680
73,024	73,024	-	8,906,080	8,906,080	-
-	-	-	-	(113,331)	(113,331)
<u>\$ 77,604,991</u>	<u>\$ 88,270,913</u>	<u>\$ 10,665,922</u>	<u>\$ 79,380,289</u>	<u>\$ 89,142,638</u>	<u>\$ 9,762,349</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2002**

	<u>Scholarship Accounts</u>	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High Schools</u>	<u>Adult Education</u>	<u>Total</u>
ASSETS						
Cash	\$ 26,208	\$ 143,807	\$ 50,654	\$ 232,976	\$ 315	\$ 453,960
Inventory	-	-	-	2,775	-	2,775
Total Assets	<u>\$ 26,208</u>	<u>\$ 143,807</u>	<u>\$ 50,654</u>	<u>\$ 235,751</u>	<u>\$ 315</u>	<u>\$ 456,735</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable	-	1,157	2,873	26,624	-	30,654
Due to student groups	26,208	142,650	47,781	209,127	315	426,081
Total Liabilities	<u>\$ 26,208</u>	<u>\$ 143,807</u>	<u>\$ 50,654</u>	<u>\$ 235,751</u>	<u>\$ 315</u>	<u>\$ 456,735</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2002**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<i>Bobby Duke Elementary School</i>				
ASSETS				
Cash	\$ 10,334	\$ 15,671	\$ 21,476	\$ 4,529
Total Assets	<u>\$ 10,334</u>	<u>\$ 15,671</u>	<u>\$ 21,476</u>	<u>\$ 4,529</u>
LIABILITIES				
Due to student groups	10,334	15,671	21,476	4,529
Total Liabilities	<u>\$ 10,334</u>	<u>\$ 15,671</u>	<u>\$ 21,476</u>	<u>\$ 4,529</u>
<i>Cesar Chavez Elementary School</i>				
ASSETS				
Cash	\$ 21,868	\$ 32,248	\$ 33,325	\$ 20,791
Total Assets	<u>\$ 21,868</u>	<u>\$ 32,248</u>	<u>\$ 33,325</u>	<u>\$ 20,791</u>
LIABILITIES				
Due to student groups	21,868	32,248	33,325	20,791
Total Liabilities	<u>\$ 21,868</u>	<u>\$ 32,248</u>	<u>\$ 33,325</u>	<u>\$ 20,791</u>
<i>John Kelley Elementary School</i>				
ASSETS				
Cash	\$ 34,492	\$ 89,691	\$ 105,633	\$ 18,550
Total Assets	<u>\$ 34,492</u>	<u>\$ 89,691</u>	<u>\$ 105,633</u>	<u>\$ 18,550</u>
LIABILITIES				
Due to student groups	34,492	89,691	105,633	18,550
Total Liabilities	<u>\$ 34,492</u>	<u>\$ 89,691</u>	<u>\$ 105,633</u>	<u>\$ 18,550</u>
<i>Mountain Vista Elementary</i>				
ASSETS				
Cash	\$ 10,204	\$ 41,768	\$ 42,926	\$ 9,046
Total Assets	<u>\$ 10,204</u>	<u>\$ 41,768</u>	<u>\$ 42,926</u>	<u>\$ 9,046</u>
LIABILITIES				
Due to student groups	10,204	41,768	42,926	9,046
Total Liabilities	<u>\$ 10,204</u>	<u>\$ 41,768</u>	<u>\$ 42,926</u>	<u>\$ 9,046</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2002

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<i>Oasis Elementary School</i>				
ASSETS				
Cash	\$ 22,539	\$ 67,538	\$ 75,899	\$ 14,178
Total Assets	<u>\$ 22,539</u>	<u>\$ 67,538</u>	<u>\$ 75,899</u>	<u>\$ 14,178</u>
LIABILITIES				
Accounts payable	-	1,157	-	1,157
Due to student groups	22,539	66,381	75,899	13,021
Total Liabilities	<u>\$ 22,539</u>	<u>\$ 67,538</u>	<u>\$ 75,899</u>	<u>\$ 14,178</u>
<i>Palm View Elementary School</i>				
ASSETS				
Cash	\$ 12,503	\$ 15,454	\$ 18,833	\$ 9,124
Total Assets	<u>\$ 12,503</u>	<u>\$ 15,454</u>	<u>\$ 18,833</u>	<u>\$ 9,124</u>
LIABILITIES				
Due to student groups	12,503	15,454	18,833	9,124
Total Liabilities	<u>\$ 12,503</u>	<u>\$ 15,454</u>	<u>\$ 18,833</u>	<u>\$ 9,124</u>
<i>Peter Pendleton Elementary School</i>				
ASSETS				
Cash	\$ -	\$ 4,122	\$ 597	\$ 3,525
Total Assets	<u>\$ -</u>	<u>\$ 4,122</u>	<u>\$ 597</u>	<u>\$ 3,525</u>
LIABILITIES				
Due to student groups	-	4,122	597	3,525
Total Liabilities	<u>\$ -</u>	<u>\$ 4,122</u>	<u>\$ 597</u>	<u>\$ 3,525</u>
<i>Saul Martinez Elementary School</i>				
ASSETS				
Cash	\$ 9,204	\$ 22,245	\$ 20,236	\$ 11,213
Total Assets	<u>\$ 9,204</u>	<u>\$ 22,245</u>	<u>\$ 20,236</u>	<u>\$ 11,213</u>
LIABILITIES				
Due to student groups	9,204	22,245	20,236	11,213
Total Liabilities	<u>\$ 9,204</u>	<u>\$ 22,245</u>	<u>\$ 20,236</u>	<u>\$ 11,213</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2002**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<i>Valley View Elementary School</i>				
ASSETS				
Cash	\$ 49,116	\$ 64,611	\$ 68,578	\$ 45,149
Total Assets	<u>\$ 49,116</u>	<u>\$ 64,611</u>	<u>\$ 68,578</u>	<u>\$ 45,149</u>
LIABILITIES				
Due to student groups	49,116	64,611	68,578	45,149
Total Liabilities	<u>\$ 49,116</u>	<u>\$ 64,611</u>	<u>\$ 68,578</u>	<u>\$ 45,149</u>
<i>West Side Elementary School</i>				
ASSETS				
Cash	\$ 26,443	\$ 43,542	\$ 62,283	\$ 7,702
Total Assets	<u>\$ 26,443</u>	<u>\$ 43,542</u>	<u>\$ 62,283</u>	<u>\$ 7,702</u>
LIABILITIES				
Due to student groups	26,443	43,542	62,283	7,702
Total Liabilities	<u>\$ 26,443</u>	<u>\$ 43,542</u>	<u>\$ 62,283</u>	<u>\$ 7,702</u>
<i>Cahuilla Desert Academy Middle School</i>				
ASSETS				
Cash	\$ 40,275	\$ 79,054	\$ 85,424	\$ 33,905
Total Assets	<u>\$ 40,275</u>	<u>\$ 79,054</u>	<u>\$ 85,424</u>	<u>\$ 33,905</u>
LIABILITIES				
Accounts payable	-	1,662	-	1,662
Due to student groups	40,275	77,392	85,424	32,243
Total Liabilities	<u>\$ 40,275</u>	<u>\$ 79,054</u>	<u>\$ 85,424</u>	<u>\$ 33,905</u>
<i>Mecca Middle School</i>				
ASSETS				
Cash	\$ 14,702	\$ 33,054	\$ 31,007	\$ 16,749
Total Assets	<u>\$ 14,702</u>	<u>\$ 33,054</u>	<u>\$ 31,007</u>	<u>\$ 16,749</u>
LIABILITIES				
Accounts payable	-	1,211	-	1,211
Due to student groups	14,702	31,843	31,007	15,538
Total Liabilities	<u>\$ 14,702</u>	<u>\$ 33,054</u>	<u>\$ 31,007</u>	<u>\$ 16,749</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2002**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<i>Coachella Valley High School</i>				
ASSETS				
Cash	\$ 207,027	\$ 545,506	\$ 534,755	\$ 217,778
Inventory	-	2,775	-	2,775
Total Assets	<u>\$ 207,027</u>	<u>\$ 545,506</u>	<u>\$ 534,755</u>	<u>\$ 220,553</u>
LIABILITIES				
Accounts payable	-	26,624	-	26,624
Due to student groups	207,027	521,657	534,755	193,929
Total Liabilities	<u>\$ 207,027</u>	<u>\$ 548,281</u>	<u>\$ 534,755</u>	<u>\$ 220,553</u>
<i>Coachella Valley High School Farm</i>				
ASSETS				
Cash	\$ 4,137	\$ 8,075	\$ 9,702	\$ 2,510
Total Assets	<u>\$ 4,137</u>	<u>\$ 8,075</u>	<u>\$ 9,702</u>	<u>\$ 2,510</u>
LIABILITIES				
Due to student groups	4,137	8,075	9,702	2,510
Total Liabilities	<u>\$ 4,137</u>	<u>\$ 8,075</u>	<u>\$ 9,702</u>	<u>\$ 2,510</u>
<i>La Familia High School</i>				
ASSETS				
Cash	\$ 1,985	\$ 8,534	\$ 5,747	\$ 4,772
Total Assets	<u>\$ 1,985</u>	<u>\$ 8,534</u>	<u>\$ 5,747</u>	<u>\$ 4,772</u>
LIABILITIES				
Due to student groups	1,985	8,534	5,747	4,772
Total Liabilities	<u>\$ 1,985</u>	<u>\$ 8,534</u>	<u>\$ 5,747</u>	<u>\$ 4,772</u>
<i>West Shores High School</i>				
ASSETS				
Cash	\$ 10,386	\$ 17,258	\$ 19,728	\$ 7,916
Total Assets	<u>\$ 10,386</u>	<u>\$ 17,258</u>	<u>\$ 19,728</u>	<u>\$ 7,916</u>
LIABILITIES				
Due to student groups	10,386	17,258	19,728	7,916
Total Liabilities	<u>\$ 10,386</u>	<u>\$ 17,258</u>	<u>\$ 19,728</u>	<u>\$ 7,916</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2002**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<i>Adult Education</i>				
ASSETS				
Cash	\$ 315	\$ -	\$ -	\$ 315
Total Assets	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315</u>
LIABILITIES				
Due to student groups	315	-	-	315
Total Liabilities	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315</u>
 <i>Bill Freeman Schoolship</i>				
ASSETS				
Cash	\$ 1,884	\$ 517	\$ -	\$ 2,401
Total Assets	<u>\$ 1,884</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ 2,401</u>
LIABILITIES				
Due to student groups	1,884	517	-	2,401
Total Liabilities	<u>\$ 1,884</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ 2,401</u>
 <i>Coachella Valley High School Schoolship</i>				
ASSETS				
Cash	\$ 16,591	\$ 875	\$ -	\$ 17,466
Total Assets	<u>\$ 16,591</u>	<u>\$ 875</u>	<u>\$ -</u>	<u>\$ 17,466</u>
LIABILITIES				
Due to student groups	16,591	875	-	17,466
Total Liabilities	<u>\$ 16,591</u>	<u>\$ 875</u>	<u>\$ -</u>	<u>\$ 17,466</u>
 <i>Sandra Carlson Schoolship</i>				
ASSETS				
Cash	\$ 296	\$ 3	\$ -	\$ 299
Total Assets	<u>\$ 296</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 299</u>
LIABILITIES				
Due to student groups	296	3	-	299
Total Liabilities	<u>\$ 296</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 299</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2002**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<i>Lenore Cowan Schoolship</i>				
ASSETS				
Cash	\$ 395	\$ -	\$ -	\$ 395
Total Assets	<u>\$ 395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395</u>
LIABILITIES				
Due to student groups	395	-	-	395
Total Liabilities	<u>\$ 395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395</u>
<i>Michael Montoya Schoolship</i>				
ASSETS				
Cash	\$ 3,886	\$ 2,277	\$ 2,740	\$ 3,423
Total Assets	<u>\$ 3,886</u>	<u>\$ 2,277</u>	<u>\$ 2,740</u>	<u>\$ 3,423</u>
LIABILITIES				
Due to student groups	3,886	2,277	2,740	3,423
Total Liabilities	<u>\$ 3,886</u>	<u>\$ 2,277</u>	<u>\$ 2,740</u>	<u>\$ 3,423</u>
<i>Jeannette O'Day Schoolship</i>				
ASSETS				
Cash	\$ 5	\$ 3,219	\$ 1,000	\$ 2,224
Total Assets	<u>\$ 5</u>	<u>\$ 3,219</u>	<u>\$ 1,000</u>	<u>\$ 2,224</u>
LIABILITIES				
Due to student groups	5	3,219	1,000	2,224
Total Liabilities	<u>\$ 5</u>	<u>\$ 3,219</u>	<u>\$ 1,000</u>	<u>\$ 2,224</u>
TOTALS				
ASSETS				
Cash	\$ 498,587	\$ 1,095,262	\$ 1,139,889	\$ 453,960
Inventory	-	2,775	-	2,775
Total Assets	<u>\$ 498,587</u>	<u>\$ 1,098,037</u>	<u>\$ 1,139,889</u>	<u>\$ 456,735</u>
LIABILITIES				
Accounts payable	-	30,654	-	30,654
Due to student groups	498,587	1,067,383	1,139,889	426,081
Total Liabilities	<u>\$ 498,587</u>	<u>\$ 1,098,037</u>	<u>\$ 1,139,889</u>	<u>\$ 456,735</u>

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

SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Title VII - Bilingual Education - Project OASIS	84.288S	10008	\$ 222,503
Title VII - Bilingual Education - Project OASIS	84.290U	10008	303,918
21st Century - After School Learning Centers	84.287B	10042	394,094
Title IX - Indian Education	84.060A	10011	11,125
Passed through California Department of Education (CDE):			
Adult Education Grants			
Basic	84.002	03374	9,900
ESL	84.002	03303	15,075
Secondary	84.002	03978	11,475
Improving America's Schools Act (IASA)			
Title I - Basic [1]	84.010	03064	3,974,629
Title I - Program Improvement [1]	84.010	04106	50,202
Title II - Eisenhower Math and Science	84.281	03207	28,096
Title III - Education Technology Literacy Challenge	84.318X	03285	349,294
Title IV - Drug-Free Schools	84.184	03453	35,887
Title VI - Innovative Strategies	84.298	03340	59,005
Title VI - Federal Class Size Reduction	84.340	03073	667,859
Title VII - Emergency Immigrant Education	84.162	03159	145,089
Title VIII, Reading Excellence Act	84.338A	04155	332,208
Vocational Educational Grant			
Applied Technology- Secondary Education	84.048	03577	145,949
Passed through Riverside County Office of Education:			
Individuals with Disabilities Education Act (IDEA)			
Federal Preschool	84.173A	03430	61,250
Local Assistance	84.027A	03379	958,459
Preschool Local Assistance	84.027A	03682	58,870
Local Staff Development	84.027A	03613	3,585
Low Incidence	84.027 A	03459	4,038
Project Workability	84.027A	03705	47,939
Title I - Migrant Education	84.011	03628	798,490
School-to-Work	84.278	10009	10,624
Subtotal			<u>8,699,563</u>

[1] Tested as a major program.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Especially Needy Breakfast [1]	10.553	03526	\$ 681,297
Basic Breakfast [1]	10.553	03525	16,498
Food Distribution	10.550	03389	384,255
National School Lunch Program [1]	10.555	03524	3,244,934
Child and Adult Care Food Program	10.558	03665	290,390
Meals Supplement	10.555	03755	21,482
Summer Lunch Program [1]	10.559	03004	218,386
Subtotal			<u>4,857,242</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Headstart [1]	93.600	10016	1,914,648
Child Care Center Based [1]	93.596	13609	359,916
Infant/Toddler Capacity Building Grant [1]	93.575	13942	6,195
Subtotal			<u>2,280,759</u>
Total Federal Programs			<u>\$ 15,837,564</u>

[1] Tested as a major program.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	Annual	Second Period ADA		Increase/ (Decrease)
		Amended 2001-2002	Amended 2000-2001	
ELEMENTARY				
Kindergarten	1,040	1,027	1,002	25
First through third	3,433	3,402	3,242	160
Fourth through sixth	3,125	3,105	2,895	210
Seventh and eighth	1,834	1,823	1,776	47
Home and hospital	1	1	3	(2)
Special education	256	253	239	14
Total Elementary	9,689	9,611	9,157	454
SECONDARY				
Regular classes	2,681	2,699	2,555	144
Continuation education	144	115	120	(5)
Home and hospital	4	4	3	1
Special education	154	156	112	44
Total Secondary	2,983	2,974	2,790	184
Total K-12	12,672	12,585	11,947	638
CLASSES FOR ADULTS				
Concurrently enrolled	17	15	13	2
Not concurrently enrolled	304	305	296	9
Total Classes for Adults	321	320	309	11
Grand Total	12,993	12,905	12,256	649
SUMMER SCHOOL				
Elementary		352,265	170,464	181,801
High School		165,570	146,116	19,454
Total Hours		517,835	316,580	201,255

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2002**

Grade Level	1986-87	1982-83	2001-02	Number of Days		Status
	Minutes Requirement	Actual Minutes	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	31,500	37,620	180	N/A	Complied
Grades 1-3	50,400	48,560	56,010	180	N/A	Complied [1]
Grades 4-6	54,000	58,730	56,010	180	N/A	Complied [1]
Grades 7 - 8	54,000	58,730	58,620	180	N/A	Complied [1]
Grades 9 - 12	64,800	58,730	65,178	180	N/A	Complied

[1] The District used the weighted average method to meet the compliance requirements of the longer day.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

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

	<u>Self- Insurance</u>
FUND BALANCE	
Balance, June 30, 2002, Unaudited Actuals	\$ 445,456
Adjustments	
Increase in claims liability	(310,000)
Balance, June 30, 2002, Audited Financial Statement	<u>\$ 135,456</u>
	<u>General Long- Term Debt Account Group</u>
GENERAL LONG-TERM LIABILITIES	
Total Liabilities, June 30, 2002, Unaudited Actuals	\$ 30,277,217
Adjustments	
Increase in accreted interest	1,627,562
Increase in postemployment benefits	421,813
Total Liabilities, June 30, 2002, Audited Financial Statement	<u>\$ 32,326,592</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2002**

	(Budget) 2003 ¹	2002	2001	2000
GENERAL FUND				
Revenues	\$ 99,165,929	\$ 100,893,057	\$ 86,878,609	\$ 72,110,818
Other sources	-	-	144,254	266,911
Total Revenues and Other Sources	99,165,929	100,893,057	87,022,863	72,377,729
Expenditures	99,167,738	92,739,171	82,605,300	66,984,176
Other uses and transfers out	1,069,694	1,254,804	2,782,478	3,689,094
Total Expenditures and Other Uses	100,237,432	93,993,975	85,387,778	70,673,270
INCREASE/(DECREASE) IN FUND BALANCE	\$ (1,071,503)	\$ 6,899,082	\$ 1,635,085	\$ 1,704,459
ENDING FUND BALANCE	\$ 19,799,359	\$ 20,870,862	\$ 13,858,449	\$ 12,223,364
AVAILABLE RESERVES²	\$ 3,171,021	\$ 3,964,493	\$ 3,772,871	\$ 4,912,348
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.2%	4.2%	4.4%	7.0%
LONG-TERM DEBT	N/A	\$ 32,326,592	\$ 32,012,988	\$ 33,542,862
AVERAGE DAILY ATTENDANCE AT P-2³	12,837	12,585	11,947	11,440

The General Fund balance has increased by \$8,647,498 over the past two years. Ending fund balance includes \$113,331 of residual equity transfers. The fiscal year 2002-03 budget projects a decrease of \$1,071,503 (5.4 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years, but anticipates incurring an operating deficit during the 2002-03 fiscal year. Total long-term debt has decreased by \$1,216,270 over the past two years.

Average daily attendance has increased by 1,145 over the past two years. Additional growth of 252 ADA is anticipated during fiscal year 2002-03.

¹ Budget 2003 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ Excludes Adult Education ADA.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2001-2002		2000-2001		1999-2000	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 10,578	10.5	\$ 7,786	9.0	\$ 6,993	9.7
State and local revenue included in revenue limit	61,489	60.9	55,364	63.7	47,414	65.8
Other state revenue	21,013	20.8	17,317	19.9	12,364	17.1
Other local revenue	3,919	3.9	6,412	7.4	5,339	7.4
Tuition and transfers in	3,894	3.9	-	-	-	-
Total Revenues	100,893	100.0	86,879	100.0	72,110	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	41,375	41.0	36,986	42.6	31,575	43.8
Classified salaries	15,814	15.7	13,707	15.8	11,666	16.2
Employee benefits	15,179	15.0	12,108	13.9	10,751	14.9
Total Salaries and Benefits	72,368	71.7	62,801	72.3	53,992	74.9
Books and supplies	7,587	7.5	6,901	7.9	4,936	6.8
Contracts and operating expenses	7,069	7.0	6,375	7.4	5,296	7.3
Capital outlay	4,424	4.4	5,583	6.4	1,898	2.6
Other outgo	1,290	1.2	946	1.1	862	1.2
Total Expenditures	92,738	91.8	82,606	95.1	66,984	92.9
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	8,155	8.2	4,273	4.9	5,126	7.1
OTHER FINANCING SOURCES/(USES)						
Net transfers	(1,255)	(1.3)	(2,638)	(3.0)	(3,422)	(4.7)
INCREASE IN FUND BALANCE	6,900	6.9	1,635	1.8	1,704	2.4
FUND BALANCE, BEGINNING	13,858		12,223		10,519	
RESIDUAL EQUITY TRANSFER	113		-		-	
FUND BALANCE, ENDING	\$ 20,871		\$ 13,858		\$ 12,223	
* * * * *						
BASE REVENUE LIMIT PER ADA						
Regular K-12	<u>\$ 4,650</u>		<u>\$ 4,475</u>		<u>\$ 4,338</u>	

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2001-2002		2000-2001		1999-2000	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 4,857	79.5	\$ 4,102	80.2	\$ 3,768	81.0
State meal program	298	4.9	276	5.4	255	5.5
Food sales	860	14.1	644	12.6	583	12.5
Other	94	1.5	91	1.8	45	1.0
Total Revenues	<u>6,109</u>	<u>100.0</u>	<u>5,113</u>	<u>100.0</u>	<u>4,651</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	2,647	43.3	2,538	49.7	2,236	48.1
Food	1,828	29.9	2,025	39.6	1,858	39.9
Supplies	18	0.3	42	0.8	30	0.7
Other	877	14.4	493	9.6	327	7.0
Total Expenditures	<u>5,370</u>	<u>87.9</u>	<u>5,098</u>	<u>99.7</u>	<u>4,451</u>	<u>95.7</u>
INCREASE IN FUND BALANCE	<u>739</u>	<u>12.1</u>	<u>15</u>	<u>0.3</u>	<u>200</u>	<u>4.3</u>
FUND BALANCE, BEGINNING	<u>925</u>		<u>910</u>		<u>710</u>	
FUND BALANCE, ENDING	<u>\$ 1,664</u>		<u>\$ 925</u>		<u>\$ 910</u>	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2001-2002		2000-2001		1999-2000	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	129,466	7.7	213,647	12.7	158,730	9.8
Reduced price	161,928	9.6	131,100	7.8	137,744	8.5
Free	1,393,154	82.7	1,339,401	79.5	1,320,351	81.7
Total Lunches	<u>1,684,548</u>	<u>100.0</u>	<u>1,684,148</u>	<u>100.0</u>	<u>1,616,825</u>	<u>100.0</u>
BREAKFAST						
Paid	22,380	4.1	30,823	5.3	27,201	5.3
Reduced price	29,979	5.6	20,932	3.6	24,933	4.9
Free	484,800	90.3	532,194	91.1	460,587	89.8
Total Breakfast	<u>537,159</u>	<u>100.0</u>	<u>583,949</u>	<u>100.0</u>	<u>512,721</u>	<u>100.0</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2002

NOTE #1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

B. Schedule of Average Daily Attendance (ADA)

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

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

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

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

E. Schedule of Financial Trends and Analysis

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2002**

F. General Fund Selected Financial Information

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

G. Cafeteria Account Selected Financial Information

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

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

Governing Board
Coachella Valley Unified School District
Thermal, California

We have audited the financial statements of Coachella Valley Unified School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Coachella Valley Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Coachella Valley Unified School District in a separate letter dated November 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coachella Valley Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, 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 Financial Statement Findings as item 2002-1 through 2002-9.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving internal control over financial reporting that we reported to the management of Coachella Valley Unified School District in a separate letter dated November 15 2002.

This report is intended for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 15, 2002



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

Governing Board
Coachella Valley Unified School District
Thermal, California

Compliance

We have 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, 2002. Coachella Valley Unified School District's major federal programs are identified in the Schedule of Expenditures of Federal and State Awards. 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. Our responsibility is to express an opinion on Coachella Valley Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coachella Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Coachella Valley Unified School District's compliance with those requirements.

As described in item 2002-10 in the accompanying Schedule of Federal Award Findings and Questioned Costs, Coachella Valley Unified School District did not comply with requirements regarding time documentation that are applicable to its Head Start Program. Compliance with such requirements is necessary, in our opinion, for Coachella Valley Unified School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2002.

IV.3

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 our audit, we 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Coachella Valley Unified School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as item 2002-10.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavimuk, Trina, Day & Co., LLP

Rancho Cucamonga, California
November 15, 2002



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Coachella Valley Unified School District
 Thermal, California

We have audited the financial statements of the Coachella Valley Unified School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. In our report, our opinion was qualified because the Coachella Valley Unified School District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of Coachella Valley Unified School District is responsible for compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Coachella Valley Unified School District's compliance with the laws and regulations of the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	4	Yes
Kindergarten continuation	3	Yes
Independent study	13	No, See Below
Continuation education	11	Yes
Adult education	8	Yes
Regional occupational centers/programs	4	Not Applicable
Staff development days	3	Yes
Incentives 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

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	Not Applicable
Class size reduction program:		
Option one classes	11	Not Applicable
Option two classes	10	Not Applicable
Option one and two classes	16	Yes
Program to reduce class size in two courses in grade 9	8	Yes
Instructional Materials Fund		
State Instructional Materials		
K-8	10	Yes
9-12	7	Yes
Schiff-Bustamante Standards-Based Instructional Materials	9	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public School Library Act of 1998	4	Yes
Office of Criminal Justice Planning	-	Not Applicable

We did not perform testing for Independent Study because ADA was below materiality threshold as indicated in the *Standards and Procedures for Audits of California K-12* Audit Guide and, therefore, we were not required to test these areas.

Based on our audit, we 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 Schedule of State Award Findings and Questioned Costs included in this report as items 2002-11 through 2002-13. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Coachella Valley Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report.

Vavink, Taine, Day & Co., LLP

Rancho Cucamonga, California
November 15, 2002

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2002**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Qualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>

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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - AFDC & Neglected, Program Improvement
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>93.600</u>	<u>Headstart</u>
<u>93.575, 93.596</u>	<u>Child Care Block Grant</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 475,127
 Auditee qualified as low-risk auditee? No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

GENERAL FIXED ASSETS

2002-1 Finding (20000)

As noted in the prior year, it was 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.

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 the statement of net assets. Once implemented (effective fiscal year 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.

At one site, an entire lab of computers had not been listed on the District's equipment listing. The District did not tag the computers because they had an agreement with the vendor to tag the computers themselves. We also discovered that an asset had a different asset number than was indicated on the District equipment listing.

Recommendation

The District should maintain a complete record 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

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). The Assistant Superintendent of Business will direct the Director of Purchasing to make every effort to maintain a complete record of all items with a value exceeding \$500.

INCOMPLETE I-9 FORMS

2002-2 Finding (30000)

As noted in the prior year, of the U.S. Department of Justice Immigration and Naturalization Service I-9 Forms reviewed, one form was 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 Assistant Superintendent of Administrative Services will direct the Director of Personnel to prepare and implement a procedure on the proper completion of I-9 forms. The procedure should include a process in which the form will be maintained in the employees' personnel files.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

PAYROLL

2002-3 Finding (30000)

During our testing of payroll, we noted timecards are not consistently signed by a supervisor for substitute teachers. It appears timecards are only signed by a supervisor if the teacher becomes long-term at a site.

Recommendation

All timecards should be signed by a supervisor and the employee to properly document the authorization of the hours or days worked.

District Response

Agree with the finding and recommendation. The Director of Fiscal Services will submit to the Executive Cabinet a recommendation that will detail a procedure to ensure that all timecards are properly approved. With the Executive Cabinet's approval, the recommendation will become part of standard payroll procedures.

MISCELLANEOUS

STATEMENT OF ECONOMIC INTEREST

2002-4 Finding (60000)

As noted in the previous year audit report, the District is not in compliance with Board Policy 9270, Conflict of Interest Code, and The Political Reform Act of 1974, requiring designated officials and employees file a Statement of Economic Interest form for the 2001-2002 fiscal year. District board policy requires that a signed statement be obtained and maintained on an annual basis for all designated staff.

Recommendation

The District should adhere to its board policy and The Political Reform Act of 1974 and obtain signed Statement of Economic Interest Forms on an annual basis for all designated staff.

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. In addition, a mandatory meeting with the appropriate personnel will be held for the purpose of completing the statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

COLLATERALIZATION AGREEMENT

2002-5 Finding (60000)

The cash in bank balance at the Valley Independent Bank exceeds the \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). Education Code Section 41002.5 states that money received by school districts may be deposited in a bank or other financial institution whose accounts are Federally insured. Inquiry as to a collateralization agreement maintained by the bank on the District's behalf did not result in evidence of the existence of an agreement.

Recommendation

The District should redistribute any amount in excess of \$100,000 to another financial institution to come within the \$100,000 limit or request that all the District's deposits be collateralized.

District Response

Agree with the finding and recommendation. The Business Office will place an item on the agenda of a Board of Trustees Meeting for the board members to consider the redistribution of any Cash In Bank account in excess of \$100,000 or that all the District's deposits be collateralized.

CASH CLEARING

2002-6 Findings (30000)

Our testing of the cash clearing function noted the following internal control weaknesses:

- Checks/negotiable instruments are not endorsed until they are deposited.
- Transmittals to the County Treasury do not appear to be reconciled to the Accounts Receivable Daily Transaction Log – we noted discrepancy of \$7,242.
- Developer fee collection, receipt #31167 for \$326.70, could not be identified as having been deposited by the District to either the Cash Clearing account or remitted directly to the County Treasury.
- The District appears to be have written checks out of the cash clearing account to parties other than the Riverside County Treasurer – sixteen occurrences noted dating to April 2001.
- A Stale-dated item from June 2001.
- At June 30, the clearing account had a reconciled balance of \$53,520 that was not cleared to the County Treasury. This may result in the District foregoing interest income.

Recommendations

- To ensure the safeguarding of District assets, checks/negotiable instruments received by the District should be restrictively stamped or signed for "For Deposit Only – Coachella Valley Unified School District" and a receipt should be completed immediately.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

- Transmittals processed to the County Treasury should be confirmed to actual posting of the revenue/abatement to the general ledger. As the Accounts Receivable Transaction Log is the communication from RCOE of the posting, the log should be reviewed upon receipt to ensure the accurate posting of revenue/abatements. Discrepancies need to be investigated and resolved.
- All monies receipted should be reconciled to actual posting to the general ledger.
- The cash clearing account should be utilized to its intended function – to allow for the clearing of negotiable instruments prior to transmittal to the County Treasury. Checks should not be written to parties other than the County Treasury.
- Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as “outstanding check written off-cleared”.
- The District should remit cash in the clearing account to the County in a timely manner in order to maximize interest earnings.

District Response

Agree with the findings and recommendations. The Director of Fiscal Services will direct the Fiscal Services Supervisor to prepare and implement a procedure for the proper uses of the cash clearing account.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

REVOLVING CASH

2002-7 Findings (30000)

Our testing of the cash clearing function noted the following internal control weaknesses:

- The revolving account is not reconciled to its established balance of \$20,000.
- Outstanding items older than six months were noted on the bank reconciliation.

Recommendations

We recommend the following:

- The revolving cash fund balance should be reconciled to its established balance. Components of the reconciliation include the bank statement balance, outstanding items, reimbursements in transit, receipts to be submitted for reimbursement, and petty cash balances.
- As noted previously, outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

District Response

Agree with the findings and recommendations. The Fiscal Services Department, as of November 19, 2002, has reorganized and has assigned specific duties to specific positions. The duty of reconciling the Revolving Cash account has been assigned permanently to the position of Fiscal Services Specialist.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

FOOD SERVICE

2002-8 Finding (30000)

Our testing of the account balance for the month of January noted an average balance of approximately \$740,000. This large balance may result in the District foregoing interest income, as the cafeteria account earns an interest rate of approximately .25 percent at the bank.

Recommendation

We recommend that the Food Service Department review the feasibility of a sweep account in combination with their current checking account. On a daily basis, excess funds are "swept" into the sweep account, which earns a higher rate of interest. This allows the Food Service Department to maintain a large balance for purchasing needs, while earning a higher rate of interest.

District Response

Agree with the finding and recommendation. The Director of Fiscal Services will meet with the District's Financial Advisor to determine the best method of maximizing interest earnings in the Food Services bank account. In addition, a procedure will be established to also ensure that the District's General Fund is also receiving its "fair share" of interest revenue.

2002-9 Finding (30000)

Our audit of food service inventory noted that a year-end physical inventory had not been performed for the sites. As result, an adjustment to the perpetual inventory count reflecting actual inventory balances on hand was not undertaken.

Recommendation

As reflected in the *California State Accounting Manual*, verification of all items stocked should be made by means of a physical count on an annual basis. The perpetual inventory balance should be adjusted to the actual quantity count, differences investigated, and adjustments made to properly reflect inventory.

District Response

Agree with the finding and recommendation. The Assistant Superintendent of Business will direct the Director of Food Services to conduct year-end physical inventories at school cafeterias.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

SEMI-ANNUAL CERTIFICATIONS – HEAD START, FEDERAL BLOCK GRANT PROGRAMS

2002-10 Finding (50000)

The time documentation compliance requirements of the Office of Management and Budget's (OMB) Circular A-87, as revised in February of 1996, are not being followed by a department who administers Federally funded programs. The requirements are that for employees whose salary is charged to more than one source (i.e., Migrant and Regular Unrestricted Funds) must maintain monthly activity logs to support the percentages charged to each source. These time logs are to be compared quarterly to the actual percentage charged to the sources and if the variance is more than 10 percent, the charges must be adjusted. Employees who are charged fully to one Federal program are to certify semi-annually that they have worked solely in the program to which their salary was charged.

Recommendation

The District should implement procedures to meet the updated Office of Management and Budget Circular A-87, which states that all salaries charged to more than one program must have actual time documentation which supports the salary allocation to each respective program. Circular A-87 outlines procedures requiring actual monthly time logs, quarterly review and cost allocation adjustments, and semi-annual certifications as outlined in the finding.

District Response

Agree with the finding and recommendation. A procedure has been put into effect previously by the Fiscal Services Department that requires each department responsible for keeping Federal compliance records to have the necessary records available for audit. A Fiscal Services staff member is assigned to assist the appropriate department or programs. To ensure compliance with OMB Circular A-87, the Fiscal Services staff member will meet monthly with the managers of Federal programs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

ATTENDANCE

KINDERGARTEN RETENTION FORMS

2002-11 Finding(10000)

During our attendance audits of elementary sites, we noted one site, Oasis Elementary School, with two students that were retained in kindergarten beyond their one year anniversary date that did not have a "Permission to Retain" form approved in form and content by the State Department of Education, signed by the parent/guardian, on file at the site as required by California Education Code Section 46300 (g). The attendance for the kindergarten students retained without having the required form on file was 1.73 Average Daily Attendance (ADA).

Recommendation

In order to claim the apportionment attendance credit for a kindergarten student who has been retained beyond his or her one year anniversary, "Permission to Retain" form must be on file. California Education Code Section 46300 (g) states, "In computing the average daily attendance 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, approved in form and content by the State 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 year." We recommend the Form J-18/19 for P-2 and Annual be revised and resubmitted to the appropriate agencies for the ADA indicated above.

District Response

Agree with the finding and recommendation. The District has implemented the use of retention agreements that comply with Education Code 46300 (g) for all retained kindergarten students; however, to ensure that the correct forms are used, appropriate staff members of the Fiscal Services Department will visit each site to remove all invalid forms and substitute them with the valid forms. In addition, the District Superintendent will notify school site principals of their responsibility to comply with the Education Code and of the potential loss of revenue to the District due to non-compliance. The attendance Form J-18/19 for the period ending April 15, 2002, (P-2) will be amended to reflect the deduction of 1.73 ADA due to non-compliance.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

Cahuilla Desert Academy School

2002-12 Finding (10000, 40000)

The site does not maintain a manual record of students who withdraw and/or enroll from school. The site does not, therefore, reconcile the enrollment information on hand at the site to the computer generated enrollment information to ensure the enrollment information has been properly accounted for by the computer system. Based upon our testing, we noted no errors in the enrollment or withdrawal of a student that would generate a material misstatement of Average Daily Attendance (ADA) and no amendment is warranted to any attendance reports.

Recommendation

The registrar should maintain logs of all students who have added or dropped during the attendance month. The registrar should then perform a monthly reconciliation as of the last day of the attendance month. The reconciliation should not involve much time as long as the previous month's enrollment totals were equal between the manual log's tally and the computer's ending enrollment numbers. The registrar should begin with the previous month's ending enrollment, add the students from the enrollment log for the current attendance month and subtract the students from the drop log for the current month. As long as all students have been included on the log, the two enrollment numbers should agree and no further steps are warranted. This reconciliation is necessary to help ensure that all students have been properly added or dropped from the computer system.

District Response

Agree with the finding and recommendation. The Director of Fiscal Services will direct the Accounting Manager to instruct the attendance clerk at each school in the correct attendance procedures. Specific instructions will be given with respect to the detailed audit finding. In addition, the procedures will be monitored and any inconsistencies will be reported back to the Director of Fiscal Services and, subsequently, to the Executive Cabinet.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

Saul Martinez Elementary, Bobby Duke Elementary, Valley View Elementary Schools

2002-13 Finding (10000, 30000)

It appears that the site's enrollment log is not reconciled to the monthly attendance reports. The enrollment log does not indicate the number of students enrolled at the site and thus makes it difficult to reconcile to monthly reports. Also, we noted that the daily attendance count for the last day of month six indicated eight more students enrolled than the computer generated monthly summary. However, our testing indicated no effect on average daily attendance (ADA).

Recommendation

The registrar should perform a monthly reconciliation as of the last day of the attendance month. The reconciliation should not involve much time as long as the previous month's enrollment totals were equal between the manual log's tally and the computer's ending enrollment numbers. The registrar should begin with the previous month's ending enrollment, add the students from the enrollment log for the current attendance month and subtract the students from the drop log for the current month. As long as all students have been included on the log, the two enrollment numbers should agree and no further steps are warranted. This reconciliation is necessary to ensure that all students have been properly added or dropped from the computer system.

District Response

Agree with the finding and recommendation. The Director of Fiscal Services will direct the Accounting Manager to instruct the attendance clerk at each school in the correct attendance procedures. Specific instructions will be given with respect to the detailed audit finding. In addition, the procedures will be monitored and any inconsistencies will be reported back to the Director of Fiscal Services and, subsequently, to the Executive Cabinet.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

RECORD OF GENERAL FIXED ASSETS INCOMPLETE

2001-1 Finding (20000)

The State Controller's Office was 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 the statement of net assets. Once implemented (effective fiscal year 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.

Recommendation

The District should maintain a complete record 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.

Current Status

Not implemented. See current year finding 2002-1.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

ASSOCIATED STUDENT BODY FUNDS; INTERNAL CONTROL DEFICIENCIES

2001-2 Finding (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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Recommendation

Current Status

The District should implement good internal control procedures that include:

Not implemented. See current year management letter.

- 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.

SUBSTITUTE TEACHERS' TIME CARDS LACK PROPER APPROVAL

2001-3 Finding (30000)

During the review of payroll transactions, the State Controller's Office noted that substitute teachers' time cards lacked 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Recommendation

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

Current Status

Not implemented. See current year finding 2002-3.

*CASH RECEIPTS NOT DEPOSITED ON TIME OR
CONSISTENTLY*

2001-4 Finding (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.

Current Status

Not implemented. See current year management letter.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

CONFLICT OF INTEREST STATEMENTS NOT OBTAINED

2001-5 Finding (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.

Current Status

Not implemented. See current year finding 2002-4

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL COMPLIANCE

FOOD SERVICES: CERTIFICATIONS NOT SIGNED

2001-6 Finding (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 semi-annual 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 percent) 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 percent 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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

INCOMPLETE I-9 FORMS

2001-7 Finding (30000)

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, six 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.

Current Status

Not implemented. See current year finding 2002-2.

STATE AWARDS AND QUESTIONED COSTS

KINDERGARTEN LONGER INSTRUCTIONAL MINUTES

2001-8 Finding (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 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

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 seven 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	<u>\$ 99,708</u>

Longer Year Penalty – Kindergarten

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

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Recommendation

Current Status

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

Implemented.

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

*KINDERGARTEN RETENTIONS NOT IN COMPLIANCE WITH
STATUTORY REQUIREMENTS*

2001-9 Finding (10000, 40000)

The State Controller's Office reviewed the retention agreements of 18 kindergarteners who were retained during fiscal-year 2000-01. Seven of the retained kindergarteners did not have adequate retention documentation. Two did not have retention agreements signed by their parents or legal guardians. Five retained kindergarteners 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

Recommendation

Current Status

The District should submit a revised J18/19 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).

Implemented.

ABSENCES RECORDED AS ATTENDANCE

2001-10 Finding (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 percent) 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

Current Status

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.

Implemented.



November 15, 2002

Governing Board
Coachella Valley Unified School District
Thermal, California

In planning and performing our audit of the general-purpose and combining financial statements of Coachella Valley Unified School District for the year ended June 30, 2002, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the combined and combining financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 15, 2002, on the general-purpose and combining financial statements of Coachella Valley Unified School District.

SITE CASH

Saul Martinez Elementary, Cahuilla Desert Academy, La Familia High School, Adult School

Finding

The following internal control weaknesses were noted during our audit:

Saul Martinez Elementary School

- The site does not use a prenumbered receipt book for monies collected on behalf of the District.
- Monies are not sent to the District in a timely manner. Monies dated back to November 1999 had not been sent to the District as of the date of audit.

Cahuilla Desert Academy

- Receipts tested in January totaling \$74 could not be traced to the District. The District had no record of receiving monies from Cahuilla for the fiscal year.

La Familia High School

- The only receipt written for a lost textbook was deposited into the associated student body account.

Adult School

- Monies are not sent to the District in a timely manner. At the time of the audit, the site had over \$10,600 awaiting deposit.
- Monies are not sent to the District in the order they were receipted. For example, we noted receipts indicating payment by check, but only one check was on hand.
- Cash transmittals used for monies forwarded to the District do not indicate receipt numbers. Thus, we were unable to determine which monies collected were sent to the District and whether they were intact.

Recommendation

We recommend the implementation of the following procedures:

- All monies collected should be receipted.
- Cash collected on behalf of the District should be transmitted to the District on a weekly or monthly basis depending on the amount of cash collected and according to the District's policy.
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- All monies collected on behalf of the District should be sent to the District.
- Cash collected on behalf of the District should be transmitted to the District on a weekly or monthly basis depending on the amount of cash collected and according to the District's policy.
- Monies should be forwarded to the District in the order they are receipted.
- Transmittals sent to the District should indicate the receipts making up the deposit.

ASSOCIATED STUDENT BODY

Saul Martinez Elementary

Findings

The following weaknesses were noted during our testing of the associated student body:

- Out of ten disbursements tested, four did not have prior approval. We also noted an invoice for candy in the amount \$5,000 for which no purchase order had been prepared.
- Per site, there is only one fundraiser. This fundraiser continues throughout the year. No revenue potential/sales analyses are prepared.
- Also, no sales summary is prepared indicating the number of candies sold with each deposit turned in to the bookkeeper.
- The site did not have a receipt book until March 2002. No monies collected before March had been receipted. Thus, we was unable to test whether deposits were intact and timely.

Recommendations

- Before checks are written out of the account, a check request form should be completed and include the required authorization signatures as outlined in California Education Code Section 48933(5)(b). The number of reimbursements should be limited and checks issued directly to vendors after receiving invoices. All check requests and invoices should be kept on file to support the expenditures made from the account.
- As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.
- A sales recap form serves the purpose of calculating, based on the number of items sold and the price per item, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.
- All monies collected should be receipted.

Coachella Desert Academy

Findings

The following weaknesses were noted during our testing of the associated student body:

- Out of ten disbursements tested, eight did not have prior approval.
- No revenue potential/sales analyses are prepared for fundraisers.
- A ticket sales recap form is not prepared for ticket events.
- Based on testing, it appears receipts are written when deposits are made instead of when monies are received.

Recommendations

- Before checks are written out of the account, a check request form should be completed and include the required authorization signatures as outlined in California Education Code Section 48933(5)(b). The number of reimbursements should be limited, and checks issued directly to vendors after receiving invoices. All check requests and invoices should be kept on file to support the expenditures made from the account.
- As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.
- A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.
- Receipts should be written as bookkeeper receives monies instead of when monies are deposited into bank.

Governing Board
Coachella Valley Unified School District
November 15, 2002

La Familia High School

Findings

The following deficiencies exist in the internal control structure of the snack bar operated by the student body:

- Sales analysis forms are not prepared to document sales by day or week.
- An inventory record is not maintained for merchandise sold or purchased.

As a result of these deficiencies, procedures do not exist to substantiate the revenue generated. In addition, the profitability of the snack bar cannot be analyzed.

Recommendation

The student body should submit a sales analysis form with every deposit, maintain a perpetual inventory of goods purchased and sold, and perform a physical inventory count at least semi-annually. The snack bar account should document transactions regarding the sales and purchases of the snack bar. This would allow the profitability of the snack bar to be analyzed during the year.

If you have any questions, please contact me.

Yours very truly,



Gregory P. Cook
of VAVRINEK, TRINE, DAY & CO., LLP

GPC/la