

**COACHELLA VALLEY
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2003

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
OF RIVERSIDE COUNTY
THERMAL, CALIFORNIA
JUNE 30, 2003

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Joe Murillo	President	2004
Mrs. Anna Rodriguez	Vice President	2004
Mrs. Gloria Maldonado	Clerk	2006
Mrs. Juanita D. Duarte	Member	2004
Mrs. Maria E. Rios	Member	2004
Mrs. Marguerite Freeman	Member	2006
Mr. Michael Wells	Member	2006

ADMINISTRATION

Mr. Foch "Tut" Pensis	Superintendent
Mr. Richard Alvarez	Assistant Superintendent, Administrative Services
Mrs. Carey Carlson	Assistant Superintendent, Business Services
Mr. Robert Bailey	Assistant Superintendent, Educational Services

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

TABLE OF CONTENTS

JUNE 30, 2003

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds - Balance Sheet	18
Governmental Funds - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	21
Proprietary Funds - Statement of Net Assets	23
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
Proprietary Funds - Statement of Cash Flows	25
Fiduciary Funds - Statement of Net Assets	26
Notes to Financial Statements	27

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	54
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SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	56
Schedule of Average Daily Attendance	59
Schedule of Instructional Time	60
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	61
Schedule of Financial Trends and Analysis	62
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	64
General Fund Selected Financial Information	65
Cafeteria Account Selected Financial Information	66
Note to Supplementary Information	67

INDEPENDENT AUDITORS' REPORTS

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	72
Report on State Compliance	74

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	77
Financial Statement Findings	78
Federal Award Findings and Questioned Costs	79
State Award Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	82
Management Letter	91

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Coachella Valley Unified School District
Thermal, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District, as of June 30, 2003, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.C to the financial statements, the District recognized certain deferred State appropriations as revenue in the current fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2003, 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.

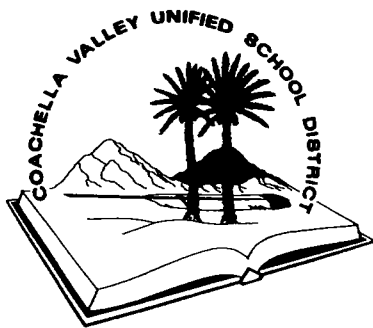
As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 for the year ended June 30, 2003. This results in a change to the format and content of the basic financial statements.

The required supplementary information, such as management's discussion and analysis on pages 4 through 15 and budgetary comparison information on page 54, are not a required part of the basic financial statements, but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary 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 State, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavineck, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2003



COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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

This section of Coachella Valley Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Coachella Valley Unified School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

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

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

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

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

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

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Refinanced \$5,490,000 1991 Certificates of Participation at a reduced interest rate saving the District approximately \$1,000,000 dollars in interest.
- Issued \$15,500,000 new COP funds in April 2003.
- The new COP funds will be used as the District's required match for the following capital facilities projects:

Saul Martinez Elementary New Construction	\$5,000,000
Modernization of Sea View/ West Shores	301,628
Modernization of Peter Pendleton Elementary	827,614
Modernization of Westside Elementary	954,301
Site Purchase and Design for East Coachella Elementary	2,823,000
- Negotiated a lease purchase agreement for 59 acres to serve as a future school site in the city of Indio (\$2,911,561).
- Lease-purchased seven school buses to provide transportation to over 800 additional students (\$815,280).
- Purchased two Special Education school buses for a total of \$170,000.
- Purchased nine new vehicles for growth and replacement in the Technology, Maintenance and Grounds departments (\$500,000).
- Budgeted over \$1,000,000 for text book adoption.
- Implemented mid-year budget cuts in the amount of 1,554,254 in March 2003 without impacting direct service to students.
- Collected over \$3,500,000 in developer fees that were used for portable classrooms and restrooms and other growth related school site projects.
- The Food Service Department realized a profit of \$892,301. During the 2003-04 fiscal year funds have been budgeted for kitchen equipment replacement.
- Over \$800,000 in Deferred Maintenance Projects were completed during the 2002-03 Fiscal Year.
- The District absorbed the 7.9% increase in health and welfare premiums for 2002-03 and negotiated a 9.9% cap for the 2003-04 fiscal year.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

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

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

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

Business-type activities - The District charges fees to help it cover the costs of certain services it provides. The District's adult education programs and food services are included here (if applicable).

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$166.3 million for the fiscal year ended June 30, 2003. Of this amount, \$19.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Table 1

(Amounts in millions)	Governmental Activities	Business-Type Activities	School District Activities
Current and other assets	\$ 88.0	\$ 2.7	\$ 90.7
Capital assets	132.8	0.3	133.1
Total Assets	220.8	3.0	223.8
Current liabilities	11.4	0.1	11.5
Long-term debt	45.9	-	45.9
Total Liabilities	57.3	0.1	57.4
Net assets			
Invested in capital assets, net of related debt	90.8	0.3	91.1
Restricted	55.4	0.1	55.5
Unrelated	17.3	2.4	19.7
Total Net Assets	\$ 163.5	\$ 2.9	\$ 166.3

The \$17.3 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$17.3 million left. We will need to closely monitor our expenditures in the future and adhere strictly to the budget to increase this \$17.3 million.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Table 2

(Amounts in millions)	Governmental Activities	Business-Type Activities	School District Activities
Revenues			
Program revenues:			
Charges for services	\$ 5.8	\$ 1.0	\$ 6.8
Operating grants and contributions	36.5	5.9	42.4
Capital grants and contributions	0.1	-	-
General revenues:			
State revenue limit sources	59.4	-	59.4
Property taxes	12.7	-	12.7
Other general revenues	2.9	0.2	3.1
Total Revenues	117.3	7.1	124.4
Expenses			
Instruction related	83.4	-	83.4
Student support services	8.5	6.3	14.8
Administration	5.8	-	5.8
Maintenance and operations	8.9	-	8.9
Other	4.2	-	4.2
Total Expenses	110.8	6.3	117.1
Change in Net Assets	\$ 6.5	\$ 0.9	\$ 7.3

Governmental Activities

As reported in the Statement of Activities on page 17, the cost of all of our governmental activities this year was \$110.8 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$11.7 million because the cost was paid by those who benefited from the programs (\$5.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$36.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$11.7 million in taxes, \$63.3 million in State funds and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's ten largest functions - regular and special program instruction, instructional-related activities, home-to-school transportation, other pupil services, general administration, maintenance and operations, facility acquisition and construction, community services, interest on long-term debt and food services as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

Table 3

(Dollar amounts in millions)	Total Cost of Services	Net Loss of Services
Instruction	\$ 70.2	\$ 42.1
Instruction-related activities	13.2	7.5
Home-to-school transportation	5.2	1.5
Other pupil services	3.3	0.8
General administration	5.8	4.5
Maintenance and operations	8.9	8.5
Facility acquisition and construction	2.1	2.1
Community services	0.4	(0.2)
Interest on long-term debt	1.7	1.7
Food services	6.3	-
Totals	\$ 117.1	\$ 68.5

The District projected a decrease in net assets of approximately \$7.9 million. Although revenues were \$6.4 million less than expected, expenditures were \$12.3 million less than originally projected. Approximately \$4.9 million of the decrease in revenue is from the restricted Federal grants which are expenditure driven; therefore, there is a corresponding \$4.9 million decrease in expenditures.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$76.3 million, which is a decrease of \$35.6 million from last year.

Table 4

(Dollar amounts in millions)	Fund Balance June 30, 2003
General	\$ 22.4
Deferred Maintenance	0.5
Debt Service	1.4
County School Facilities Fund	42.6
Totals	\$ 76.3

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

The primary reasons for these increases/decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$1.5 million to \$22.4 million. This increase is due to:
 1. Increased enrollment
 2. Increased State revenue
- b. Our special revenue funds from the prior year were approximately \$7.2 million.
- c. The debt service funds showed an increase of approximately \$200 thousand.
- d. The capital projects funds showed a decrease of approximately \$46.5 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2003. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 54).

- Significant revenue revisions made to the 2002-03 Budget were due to increased equalization aid that was announced by the Governor after the budget adoption.
- Budgeted expenditures increased by \$884 thousand due to the collective bargaining settlement reached on November 7, 2002, and December 12, 2002.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the District had \$133.3 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of just under \$54.96 million, or 70.6 percent, from last year (Table 5).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

Table 5

(Amounts in millions)	Governmental Activities	Business-Type Activities	Totals
Land and construction in process	\$ 77.2	\$ -	\$ 77.2
Buildings and improvements	47.8	-	47.8
Equipment	7.8	0.3	8.1
Totals	\$ 132.8	\$ 0.3	\$ 133.1

This year's major additions included (in millions):

Various modernization and other District projects	\$ 2.9
Purchase of Avenue 49 school site	2.9
Construction in progress - K-12 Mega Site Growth Project (approx.)	48.6
	<u>\$ 54.4</u>

This year's additions of \$54.4 million included construction in progress for the K-12 Mega Growth Project, purchase of Avenue 49 school site, and various modernization and other District projects. No debt was issued for these additions.

Several capital projects are planned for the 2003-04 year. We anticipate capital additions to be \$11.1 million for the 2003-04 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Long-Term Debt

At the end of this year, the District had \$20.6 million in bonds outstanding versus \$20.7 million last year, a decrease of .5 percent. Those bonds consisted of:

Table 6

(Amounts in millions)	Governmental Activities	Business-Type Activities	Totals
General obligation bonds (financed with property taxes)	\$ 20.6	\$ -	\$ 20.6
Community facilities district	-	-	-
Certificates of participation	15.7	-	15.7
Capitalized lease obligations	6.5	-	6.5
Other	3.2	-	3.2
Totals	\$ 45.9	\$ -	\$ 45.9

The District's general obligation bond rating continues to be "AAA". The State limits the amount of general obligation debt that District's can issue to 5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$20.5 million is significantly below the \$140 million statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits) and other long-term debt. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2002-03 ARE NOTED BELOW:

The District continued the \$90 million K-12 Mega Growth Site project.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Unrestricted General Fund Revenue and Expenditure Assumptions

2003-2004 Budget Revenue Assumptions

1. 2003-2004 Revenue Limit

- Base Revenue Limit per ADA Statutory (\$4,742.52 - \$58.00) \$ 4,684.52

2. Other State Revenue

- Class Size Reduction K-3 \$ 4,039,401
- Lottery \$ 1,628,148

3. Other Local Revenue

- Interest \$ 432,000

4. Other Sources

- Contributions to Restricted Programs:
 - Special Education \$ (499,159)
 - Transportation \$ (2,120,232)
 - Restricted Maintenance \$ (2,582,847)

2003-2004 Budget Expenditure Assumptions

1. Salaries and Benefits

- Added 10 teachers (6 opening school, 4 growth)
- Added 3 Special Day Class teachers & aides
- Added 10 bus drivers
- Added a net of 26 school administrative & support staff to open Las Palmitas Elementary, Toro Canyon Middle & Desert Mirage High Schools (9th grade)
- Health and Welfare expenditures include a projected cost increase of 10.00%,
Workers' Compensation Insurance increased 35%

2. Operating Expenses

- Departmental Operating Budgets reduced \$ (393,451)
- Capital Leases for New buses \$ 202,329
- Deferred maintenance decreased \$ (100,000)
- Property and Liability Insurance increased 10%

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through six	25:1	8,551
Grades seven through eight	27:5	2,181
Grades nine through twelve	27:5	3,427

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Carey Carlson, Assistant Superintendent, Business Services, at Coachella Valley Unified School District, Thermal, California, or e-mail at careyc@coachella.k12.ca.us.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2003

Assets	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 77,268,435	\$ 1,933,772	\$ 79,202,207
Receivables	8,508,749	963,006	9,471,755
Internal balances	332,240	(332,240)	-
Stores inventories	188,416	109,248	297,664
Deferred charges	481,070	-	481,070
Restricted assets, investments	1,225,906		1,225,906
Capital assets			
Land and construction in process	77,212,032	-	77,212,032
Other capital assets	78,190,147	619,948	78,810,095
Less: Accumulated depreciation	(22,591,820)	(325,276)	(22,917,096)
Total Capital Assets	132,810,359	294,672	133,105,031
Total Assets	220,815,175	2,968,458	223,783,633
Liabilities			
Accounts payable	7,272,791	117,156	7,389,947
Accrued interest	394,636	-	394,636
Deferred revenue	3,373,044	-	3,373,044
Claims liability	335,000	-	335,000
Long-term liabilities			
Current portion of long-term obligations	1,957,394		1,957,394
Noncurrent portion of long-term obligations	43,990,513	-	43,990,513
Total Long-Term Liabilities	45,947,907	-	45,947,907
Total Liabilities	57,323,378	117,156	57,440,534
Net Assets			
Invested in capital assets, net of related debt	90,809,019	294,672	91,103,691
Restricted for:			
Debt service	1,008,325	-	1,008,325
Capital projects	50,712,380	-	50,712,380
Educational programs	3,100,380	-	3,100,380
Other activities	552,784	109,248	662,032
Unrestricted	17,308,909	2,447,382	19,756,291
Total Net Assets	\$ 163,491,797	\$ 2,851,302	\$ 166,343,099

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 70,228,480	\$ 3,143,945	\$ 24,865,978	\$ 80,000
Instruction-related activities:				
Supervision of instruction	1,861,864	2,111	1,126,841	-
Instructional library, media and technology	212,061	-	-	-
School site administration	11,163,189	58,039	4,542,133	-
Pupil services:				
Home-to-school transportation	5,169,282	424,621	3,208,247	-
Food services	86	-	69	-
All other pupil services	3,325,116	1,699,582	832,018	-
General administration:				
Data processing	1,034,056	-	2,816	-
All other general administration	4,745,160	98,697	1,221,179	-
Plant services	8,888,631	82,080	319,036	-
Facility acquisition and construction	2,114,586	-	-	-
Community services	375,176	278,033	338,302	-
Interest on long-term debt	1,696,039	-	-	-
Other outgo	14,415	-	-	-
Total Governmental-Type Activities	110,828,141	5,787,108	36,456,618	80,000
Business-Type Activities:				
Food services	6,281,598	1,038,408	5,942,407	-
Total Business-Type Activities	6,281,598	1,038,408	5,942,407	-
Total School District	\$ 117,109,739	\$ 6,825,516	\$ 42,399,025	\$ 80,000
General revenues and subventions:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Miscellaneous				
Subtotal, General Revenues				
Excess (Deficiency) of Revenues Over Expenses				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (42,138,557)	\$ -	\$ (42,138,557)
	-	-
(732,912)	-	(732,912)
(212,061)	-	(212,061)
(6,563,018)	-	(6,563,018)
(1,536,414)	-	(1,536,414)
(17)	-	(17)
(793,516)	-	(793,516)
(1,031,240)	-	(1,031,240)
(3,425,284)	-	(3,425,284)
(8,487,515)	-	(8,487,515)
(2,114,586)	-	(2,114,586)
241,159	-	241,159
(1,696,039)	-	(1,696,039)
(14,415)	-	(14,415)
(68,504,415)	-	(68,504,415)
-	699,217	699,217
-	699,217	699,217
(68,504,415)	699,217	(67,805,198)
11,721,519	-	11,721,519
952,838	-	952,838
59,356,977	-	59,356,977
1,945,891	6,331	1,952,222
983,916	157,534	1,141,450
74,961,141	163,865	75,125,006
6,456,726	863,082	7,319,808
6,456,726	863,082	7,319,808
157,035,071	1,988,220	159,023,291
\$ 163,491,797	\$ 2,851,302	\$ 166,343,099

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2003

	General Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 18,922,110	\$ 45,387,972	\$ 9,265,614	\$ 3,124,798	\$ 76,700,494
Receivables	8,239,708	36,125	538	231,202	8,507,573
Due from other funds	510,518	2,195,072	18,963	48,230	2,772,783
Stores inventory	188,416	-	-	-	188,416
Restricted assets, investments	-	-	1,225,906	-	1,225,906
Total Assets	\$ 27,860,752	\$ 47,619,169	\$ 10,511,021	\$ 3,404,230	\$ 89,395,172
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	2,005,752	5,057,459	2,338	207,242	7,272,791
Due to other funds	67,193	-	1,132,107	1,241,243	2,440,543
Deferred revenue	3,373,044	-	-	-	3,373,044
Total Liabilities	5,445,989	5,057,459	1,134,445	1,448,485	13,086,378
FUND BALANCES					
Reserved for:					
Debt service	-	-	1,225,906	-	1,225,906
Other reservations	3,308,796	-	-	-	3,308,796
Unreserved:					
Designated	17,060,503	-	-	-	17,060,503
Undesignated, reported in:					
General Fund	2,045,464	-	-	-	2,045,464
Special revenue funds	-	-	-	552,784	552,784
Debt service funds	-	-	-	1,402,961	1,402,961
Capital projects funds	-	42,561,710	8,150,670	-	50,712,380
Total Fund Balance	22,414,763	42,561,710	9,376,576	1,955,745	76,308,794
Total Liabilities and Fund Balances	\$ 27,860,752	\$ 47,619,169	\$ 10,511,021	\$ 3,404,230	\$ 89,395,172

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2003

**Amounts Reported for Governmental Activities in the Statement of Net
Assets are Different Because:**

Total Fund Balance - Governmental Funds		\$ 76,308,794
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 155,402,179	
Accumulated depreciation is	<u>(22,591,820)</u>	
Total capital assets		132,810,359
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		481,070
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(394,636)
An internal service fund is used by the District's management to charge the costs of the health and welfare insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets are:		234,117
Long-term liabilities at year end consist of:		
General obligation bonds	18,669,277	
Certificates of participation	15,500,000	
Capital lease obligations	6,515,721	
Compensated absences	788,988	
Supplemental Early Retirement Plan	2,406,342	
Unamortized premium	169,850	
In addition, in 1997 the District issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	<u>1,897,729</u>	
Total long-term liabilities		(45,947,907)
Total Net Assets - Governmental Activities		<u>\$ 163,491,797</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2003

	General Fund	County School Facilities Fund
REVENUES		
Revenue limit sources	\$ 65,209,075	\$ -
Federal sources	16,232,049	-
Other state sources	19,090,484	-
Other local sources	7,547,053	1,502,668
Total Revenues	108,078,661	1,502,668
EXPENDITURES		
Current		
Instruction	65,872,789	-
Instruction-related activities:		
Supervision of instruction	1,591,548	-
Instructional library, media and technology	211,689	-
School site administration	10,526,119	-
Pupil Services:		
Home-to-school transportation	5,089,601	-
Food services	26	-
All other pupil services	3,234,410	-
General administration:		
Data processing	1,031,761	-
All other general administration	4,627,421	-
Plant services	8,741,207	-
Facility acquisition and construction	6,299,763	51,156,943
Community services	374,505	-
Debt service		
Principal	689,367	-
Interest and other	188,868	-
Total Expenditures	108,479,074	51,156,943
Excess (Deficiency) of Revenues Over Expenditures	(400,413)	(49,654,275)
Other Financing Sources (Uses):		
Transfers in	-	4,035,072
Other sources	3,680,922	-
Transfers out	(1,722,193)	(90,000)
Other uses	(14,415)	-
Net Financing Sources (Uses)	1,944,314	3,945,072
NET CHANGE IN FUND BALANCES	1,543,901	(45,709,203)
Fund Balance - Beginning	20,870,862	88,270,913
Fund Balance - Ending	\$ 22,414,763	\$ 42,561,710

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

Special Reserve Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 650,473	\$ 65,859,548
-	1,175,750	17,407,799
-	1,261,059	20,351,543
16,796	4,594,912	13,661,429
16,796	7,682,194	117,280,319
-	2,338,477	68,211,266
-	269,274	1,860,822
-	-	211,689
-	30,647	10,556,766
-	-	5,089,601
-	-	26
-	-	3,234,410
-	-	1,031,761
-	107,474	4,734,895
-	61,599	8,802,806
632,785	1,742,097	59,831,588
-	-	374,505
5,790,000	380,000	6,859,367
462,545	574,869	1,226,282
6,885,330	5,504,437	172,025,784
(6,868,534)	2,177,757	(54,745,465)
1,132,931	679,262	5,847,265
15,669,850	-	19,350,772
(1,222,107)	(2,812,965)	(5,847,265)
(207,289)	-	(221,704)
15,373,385	(2,133,703)	19,129,068
8,504,851	44,054	(35,616,397)
871,725	1,911,691	111,925,191
\$ 9,376,576	\$ 1,955,745	\$ 76,308,794

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2003

Total Net Change in Fund Balances - Governmental Funds \$ (35,616,397)

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

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

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

Depreciation expense	\$ (2,274,567)	
Capital outlays	<u>57,236,898</u>	54,962,331

Some of the capital assets acquired this year were financed with capital leases.

The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (3,680,922)

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (Supplemental Early Retirement Plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was less than the amounts earned by \$115,997. (715,066)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities:

Sale of certificates of participation (15,500,000)

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:

Premium on issuance	(169,850)	
Cost of issuance	<u>481,070</u>	
Combined adjustment		311,220

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

General obligation bonds	380,000
Certificates of participation	5,790,000
Capital lease obligations	689,367

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2003

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by \$7,699, and second, \$270,167 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds/certificates of participation/special tax revenue bonds.

\$ (262,468)

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds.

The net revenue of the internal service fund is reported with governmental activities.

98,661

Change in Net Assets of Governmental Activities

\$ 6,456,726

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2003

	Business-Type Activities Enterprise Funds Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 1,933,772	\$ 567,941
Receivables	963,006	1,176
Stores inventories	109,248	-
Total Current Assets	3,006,026	569,117
Noncurrent Assets		
Capital assets	619,948	-
Less: accumulated depreciation	(325,276)	-
Total Noncurrent Assets	294,672	-
Total Assets	3,300,698	569,117
LIABILITIES		
Current Liabilities		
Accounts payable	117,156	-
Due to other funds	332,240	-
Claim liabilities	-	335,000
Total Current Liabilities	449,396	335,000
NET ASSETS		
Invested in capital assets, net of related debt	294,672	-
Unrestricted	2,556,630	234,117
Total Net Assets	\$ 2,851,302	\$ 234,117

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2003

	Business-Type Activities Enterprise Funds	Governmental Activities -
	Food Service	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,038,408	\$ -
Charges to other funds and miscellaneous revenues	78,767	1,732,473
Total Operating Revenues	1,117,175	1,732,473
OPERATING EXPENSES		
Payroll costs	2,902,614	-
Professional and contract services	90,178	1,638,360
Supplies and materials	2,909,884	-
Facility rental	47,914	-
Other operating cost	290,192	-
Depreciation	40,816	-
Total Operating Expenses	6,281,598	1,638,360
Operating Income (Loss)	(5,164,423)	94,113
NONOPERATING REVENUES		
Interest income	6,331	4,548
Grants	6,021,174	-
Total Nonoperating Revenues	6,027,505	4,548
Change in Net Assets	863,082	98,661
Total Net Assets - Beginning	1,988,220	135,456
Total Net Assets - Ending	\$ 2,851,302	\$ 234,117

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2003

	Business-Type Activities Enterprise Funds Food Services	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 1,117,580	\$ 1,732,473
Cash payments to employees for services	(2,854,061)	-
Cash payments for insurance claims	-	(1,613,360)
Cash payments to suppliers for goods and services	(2,255,534)	-
Cash payments for facility use	(47,914)	-
Cash payments for other operating expenses	(493,761)	-
Net Cash Provided (Used) for Operating Activities	(4,533,690)	119,113
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	5,262,866	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(11,596)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,331	4,570
Net increase in cash and cash equivalents	723,911	123,683
Cash and cash equivalents - Beginning	1,209,861	444,258
Cash and cash equivalents - Ending	\$ 1,933,772	\$ 567,941
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	(5,164,423)	94,113
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	40,816	-
Commodities used	694,396	-
Changes in assets and liabilities:		
Receivables	407	-
Due from other fund	-	-
Inventories	44,364	-
Accrued liabilities	-	25,000
Due to other fund	(154,987)	-
Accounts Payable	5,737	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (4,533,690)	\$ 119,113
NONCASH, NONCAPITAL FINANCING ACTIVITIES		
During the year, the District received \$694,396 of food commodities from the U.S. Department of Agriculture.		

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2003

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 535,156
Stores inventories	<u>5,051</u>
Total Assets	<u><u>\$ 540,207</u></u>
LIABILITIES	
Accounts payable	29,900
Due to student groups	<u>510,307</u>
Total Liabilities	<u><u>\$ 540,207</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Coachella Valley Unified School District (the District) was organized on July 1, 1973, under the laws of the State of California. The District operates under a locally-elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 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 operates nine Headstart/State Preschools, seven child care centers, and a teen parenting program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Coachella Valley Unified School District, this includes general operations, food service, and student related activities of the District.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

Joint Powers Agencies and Public Entity Risk Pools The District is associated with two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Summarized audited financial information is presented in Note 15 to the financial statements. These organizations are:

Riverside Schools Insurance Authority (RSIA)

Desert Schools' Self-Insurance Program for Employees (DSSIPE)

C. State Deferred Apportionments

As part of its plan to address the budget crisis facing the State of California, Senate Bill (SB) XI 18 (the Bill) was signed into law during the year ended June 30, 2003. The provisions of the Bill significantly altered funding for California local educational agencies (LEAs). The Bill, among other things, shifted the appropriation for and the payment of the June 2003 principal apportionment for the general and adult funds into the 2003-04 fiscal year. The Bill allowed LEAs to recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year. In addition, Assembly Bill 2781 deferred the 2002-03 appropriations for the Home-to-School Transportation, School Improvement, Targeted Instructional Improvement, and Supplemental Grant programs into the 2003-04 fiscal year. Exclusion of the apportionments would have resulted in a decrease in receivables, revenue and available reserves of \$4,119,723.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

D. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

Special Reserve Capital Outlay Fund The Special Reserve Fund is used to account for funds set aside for Board designated construction projects and the financial activity of the Corporation.

Other Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Debt Service Funds The 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. The District maintains the following debt service funds:

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

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

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees.

State School Building Lease-Purchase Fund The State School Building Lease-Purchase Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Food Service operations of the District.

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates Property and Liability, Workers' Compensation, and Dental and Vision self-insurance programs, and a Health Benefits program, that are accounted for in an internal service funds.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

E. Basis of Accounting - Measurement Focus

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

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

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available generally means expected to be received within 90 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as part of stores inventory. Principal and interest on general long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

F. Cash and Cash Equivalents

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

G. Investments

Investments held at June 30, 2003, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

H. Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Certain resources set aside for the repayment of the District's Certificates of Participation are classified as restricted assets on the Statement of Net Assets and Governmental Funds balance sheet. These assets are maintained in separate investment accounts and their use is limited by applicable debt covenant requirements.

I. Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. 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.

J. Stores Inventory

Inventories consist of expendable food and supplies held for consumption and unused donated commodities. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

K. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

O. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

S. Estimates

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

T. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

U. Property Tax

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

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2003, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Difference". As a result, the financial statements for the first time include 1) a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, 2) financial statements prepared using full accrual accounting for all of the District's activities, and 3) a change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

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

B. Deposits

At year-end, the carrying amounts of the District's deposits were \$193,452 for governmental activities, \$1,761,306 for business activities, and \$535,155 held in fiduciary funds. The bank balances totaled \$2,380,644. Of the bank balances, \$100,000 was covered by Federal deposit insurance and \$2,280,644 was covered by pooled and/or pledged collateral, but not necessarily held in the District's name (uncollateralized, risk Category 3).

C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the County Treasury and investments in the State Treasurer's Investment Pool are not categorized because they do not represent securities, which exist in physical or book entry form. The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California authorized under Section 16429.1, 2, and 3 of the California Government Code. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts and is administered by California State Treasurer. The deposits with county treasury and the State pool's investments are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county and State treasurers for their respective pools.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

The investments at June 30, 2003, are as follows:

	Category *			Reported Amount	Fair Value
	1	2	3		
Categorized:					
First American					
Treasury Obligations	\$ -	\$ -	\$ 10,248,298	\$ 10,248,298	\$ 10,248,298
Money Market	-	-	172,466	172,466	172,466
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,420,764</u>	<u>\$ 10,420,764</u>	<u>\$ 10,420,764</u>
Uncategorized:					
Deposits with county treasurer				<u>\$ 68,052,591</u>	<u>\$ 68,087,173</u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2003, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	County School Facilities	Special Reserve Capital Outlay	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Total Business-Type Activities
Federal Government							
Categorical aid	\$ 1,715,947	\$ -	\$ -	\$ 125,115	\$ -	\$ 1,841,062	\$ 895,096
State Government							
Apportionment	2,726,312	-	-	8,010	-	2,734,322	-
Categorical aid	1,892,774	-	-	28,288	-	1,921,062	61,605
Lottery	596,293	-	-	-	-	596,293	-
Local Government							
Interest	79,344	36,125	538	8,726	1,176	125,909	-
Other Local Sources	1,229,038	-	-	61,063	-	1,290,101	6,305
Total	<u>\$ 8,239,708</u>	<u>\$36,125</u>	<u>\$ 538</u>	<u>\$ 231,202</u>	<u>\$ 1,176</u>	<u>\$ 8,508,749</u>	<u>\$ 963,006</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 6,131,081	\$ 2,911,561	\$ -	\$ 9,042,642
Construction in process	16,640,518	51,528,872	-	68,169,390
Total Capital Assets Not Being Depreciated	22,771,599	54,440,433	-	77,212,032
Capital Assets Being Depreciated				
Land improvements	4,055,148	461,784	-	4,516,932
Buildings and improvements	63,669,187	260,772	-	63,929,959
Furniture and equipment	7,669,347	2,073,909	-	9,743,256
Total Capital Assets Being Depreciated	75,393,682	2,796,465	-	78,190,147
Less Accumulated Depreciation				
Land improvements	2,072,190	156,699	-	2,228,889
Buildings and improvements	16,904,677	1,472,737	-	18,377,414
Furniture and equipment	1,340,386	645,131	-	1,985,517
Total Accumulated Depreciation	20,317,253	2,274,567	-	22,591,820
Governmental Activities Capital Assets, Net	<u>\$ 77,848,028</u>	<u>\$ 54,962,331</u>	<u>\$ -</u>	<u>\$ 132,810,359</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Furniture and equipment	608,352	11,596	-	619,948
Total Capital Assets Being Depreciated	608,352	11,596	-	619,948
Less Accumulated Depreciation				
Furniture and equipment	284,460	40,816	-	325,276
Total Accumulated Depreciation	284,460	40,816	-	325,276
Business-Type Activities Capital Assets, Net	<u>\$ 323,892</u>	<u>\$ (29,220)</u>	<u>\$ -</u>	<u>\$ 294,672</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities

Instruction	\$ 2,047,110
Home-to-school transportation	68,237
All other pupil services	90,983
Plant services	68,237
Total Depreciation Expenses Governmental Activities	2,274,567

Business-Type Activities

Food services	40,816
Total Depreciation Expenses All Activities	\$ 2,315,383

NOTE 6 - INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances at June 30, 2003, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General	County School Facilities	Special Reserve Capital Outlay	Non-Major Governmental	
General	\$ -	\$ -	\$ 18,963	\$ 48,230	\$ 67,193
Special Reserve Capital Outlay	-	1,132,107	-	-	1,132,107
Non-Major Governmental	178,278	1,062,965	-	-	1,241,243
Total	\$ 178,278	\$ 2,195,072	\$ 18,963	\$ 48,230	\$ 2,440,543

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

B. Operating Transfers

Interfund transfers for the year ended June 30, 2003, consisted of the following:

Transfer To	Due From				Total
	General	County School Facilities	Special Reserve Capital Outlay	Non-Major Governmental	
General	\$ -	\$ -	\$ 1,132,931	\$ 589,262	\$ 1,722,193
County School Facilities	-	-	-	90,000	90,000
Special Reserve Capital Outlay	-	1,222,107	-	-	1,222,107
Non-Major Governmental	-	2,812,965	-	-	2,812,965
Total	\$ -	\$ 4,035,072	\$ 1,132,931	\$ 679,262	\$ 5,847,265

The General Fund transferred to the Special Reserve Capital Outlay Fund for redevelopment pass-through funds received. \$ 1,132,931

The Special Reserve Capital Outlay Fund transferred to the County School Facilities Fund for funds committed for school building projects. 1,222,107

The General Fund transferred to the following non-major governmental funds:

Deferred Maintenance Fund for the required match and District contribution.	\$ 551,262	
Adult Education Fund for lottery apportionment.	38,000	589,262

The County School Facilities Fund transferred to the Building Fund (Non-major) for an expected assessment of arbitrage amounts owed. 90,000

The Capital Facilities Fund (Non-major) transferred to the County School Facilities Fund for funds committed for school building projects. 2,812,965

\$ 5,847,265

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2003, consisted of the following:

	General	County School Facilities	Special Reserve Capital Outlay	Non-Major Governmental Funds	Total Governmental Activities	Total Business-Type Activities	Fiduciary Fund
Vendor payables	\$ 1,093,504	\$ -	\$ -	\$ 88,886	\$ 1,182,390	\$ 117,156	\$ 29,900
State apportionment	-	-	-	32,684	32,684	-	-
Salaries and benefits	650,725	-	-	21,904	672,629	-	-
Construction	43,261	5,057,459	-	17,161	5,117,881	-	-
Other	218,262	-	2,338	46,607	267,207	-	-
Total	<u>\$ 2,005,752</u>	<u>\$ 5,057,459</u>	<u>\$ 2,338</u>	<u>\$ 207,242</u>	<u>\$ 7,272,791</u>	<u>\$ 117,156</u>	<u>\$ 29,900</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2003, consists of the following:

	General
Federal financial assistance	\$ 1,813,098
State categorical aid	1,559,946
Total	<u>\$ 3,373,044</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE 9 - LONG-TERM LIABILITIES

A. Long-Term Debt Summary

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

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003	Due in One Year
General obligation bonds	\$20,676,839	\$ 270,167	\$ 380,000	\$ 20,567,006	\$ 460,000
Certificates of participation	5,790,000	15,500,000	5,790,000	15,500,000	-
Premium on issuance	-	169,850	-	169,850	-
Accumulated vacation - net	672,991	115,997	-	788,988	-
Supplemental Early Retirement Plan (SERP)	1,807,273	1,123,376	524,307	2,406,342	691,520
Capital leases	3,524,166	3,680,922	689,367	6,515,721	805,874
	<u>\$32,471,269</u>	<u>\$20,860,312</u>	<u>\$7,383,674</u>	<u>\$45,947,907</u>	<u>\$1,957,394</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation are made by the Special Reserve Capital Outlay Fund. The accrued vacation will be paid by the fund for which the employee worked. Payments for the capital lease are made by the General Fund. Payments for capital leases will be paid by the fund for which the lease was entered into.

B. Bonded Debt

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted	Redeemed	Bonds Outstanding End of Year
1997, Series A	8/1/97	2022	4.80-5.15%	\$ 10,000,000	\$ 9,145,000	\$ -	\$245,000	\$ 8,900,000
1997, Series B	8/1/98	2023	3.70-5.28%	9,999,278	11,531,839	270,167	135,000	11,667,006
					<u>\$20,676,839</u>	<u>\$270,167</u>	<u>\$380,000</u>	<u>\$20,567,006</u>

1997 General Obligation Bonds, Series A

On August 1, 1997, the District issued, 1997 Series A, current general obligation bonds in the amount of \$10,000,000 to fund school construction. The bonds have a maturity date of August 1, 2022, with interest yields varying from 4.80 to 5.15 percent. At June 30, 2003, 1997 General Obligation Bonds, Series A, totaling \$8,900,000 were still outstanding.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

1997 General Obligation Bonds, Series B

On August 1, 1998, the District issued, 1997 Series B, current and capital appreciation general obligation bonds in the amount of \$9,999,278 (accreting to \$22,525,000) to fund school construction. The bonds have a maturity date of August 1, 2023, with interest yields varying from 3.70 to 5.28 percent. At June 30, 2003, 1997 General Obligation Bonds, Series B, totaling \$11,667,006 were still outstanding.

Debt Service Requirements to Maturity

The 1997 bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2004	\$ 460,000	\$ -	\$ 556,131	\$ 1,016,131
2005	530,000	-	534,212	1,064,212
2006	615,000	-	508,926	1,123,926
2007	695,000	-	479,826	1,174,826
2008	785,000	-	446,667	1,231,667
2009-2013	4,599,651	1,196,129	1,716,911	7,512,691
2014-2018	5,505,471	2,950,439	1,123,168	9,579,078
2019-2023	6,619,392	5,472,672	415,000	12,507,064
2024-2028	757,492	1,008,754	-	1,766,246
Total	<u>\$ 20,567,006</u>	<u>\$10,627,994</u>	<u>\$ 5,780,841</u>	<u>\$ 36,975,841</u>

C. Certificates of Participation

On April 3, 2003, the District, in conjunction with the Riverside County Schools Financing Corporation, issued \$15,500,000 in 2003 Certificates of Participation, with interest rates ranging from 4.00 to 5.00 percent, to finance the construction and renovation of school facilities and to advance refund \$5,490,000 of outstanding 1991 Certificates of Participation. The 2003 Certificates have a maturity date of September 1, 2031. The District received net proceeds of \$15,188,780 (including premium of \$169,850 and after payment of \$481,070 in underwriter fees, insurance, and other issuance costs). \$4,954,392 of the net proceeds plus an additional \$742,937 of 1991 Certificates Debt Service Reserve Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Certificates. As a result, the 1991 Certificates of Participation are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

The certificates mature through 2031 as follows:

Year Ending June 30,	Principal	Interest	Total
2004	\$ -	\$ 572,621	\$ 572,621
2005	300,000	665,923	965,923
2006	500,000	656,922	1,156,922
2007	525,000	645,391	1,170,391
2008	550,000	627,797	1,177,797
2009-2013	3,550,000	2,812,231	6,362,231
2014-2018	1,120,000	2,340,868	3,460,868
2019-2023	1,570,000	2,044,544	3,614,544
2024-2028	3,265,000	1,477,625	4,742,625
2029-2031	4,120,000	443,500	4,563,500
Total	<u>\$ 15,500,000</u>	<u>\$ 12,287,422</u>	<u>\$ 27,787,422</u>

D. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2003, amounted to \$788,988.

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
2004	\$ 691,520
2005	580,656
2006	536,276
2007	395,864
2008	202,026
Total	<u>\$ 2,406,342</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

F. Capital Leases

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

Balance, July 1, 2002	\$ 3,901,338
Additions	6,713,512
Payments	878,235
Balance, June 30, 2003	<u>\$ 9,736,615</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2004	\$ 873,666
2005	1,092,057
2006	1,092,057
2007	896,987
2008	889,988
2009-2013	1,222,965
2014-2018	1,222,965
2019-2023	1,222,965
2024-2028	1,222,965
Total	<u>9,736,615</u>
Less: Amount Representing Interest	3,220,894
Present Value of Minimum Lease Payments	<u>\$ 6,515,721</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE 10 - FUND BALANCES

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

	General	County School Facilities Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental	Total
Reserved					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Debt service	-	-	1,225,906	-	1,225,906
Stores inventory	188,416	-	-	-	188,416
Restricted programs	3,100,380	-	-	-	3,100,380
Total Reserved	3,308,796	-	1,225,906	-	4,534,702
Unreserved					
Designated					
Economic uncertainties	3,219,124	-	-	-	3,219,124
Other designation	13,841,379	-	-	-	13,841,379
Total Designated	17,060,503	-	-	-	17,060,503
Undesignated	2,045,464	42,561,710	8,150,670	1,955,745	54,713,589
Total Unreserved	19,105,967	42,561,710	8,150,670	1,955,745	71,774,092
Total	\$22,414,763	\$ 42,561,710	\$ 9,376,576	\$ 1,955,745	\$ 76,308,794

NOTE 11 - 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, 49 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 \$182,090 were recognized for retirees' health care benefits.

NOTE 12 - RISK MANAGEMENT

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, 2003, 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, 2003

B. Workers' Compensation

For fiscal year 2003, 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, 2003 (in thousands):

	Dental and Vision
Liability Balance, July 1, 2001	\$ -
Claims and changes in estimates	2,142,850
Claims payments	(1,832,850)
Liability Balance, June 30, 2002	310,000
Claims and changes in estimates	1,663,360
Claims payments	(1,638,360)
Liability Balance, June 30, 2003	\$ 335,000
Assets available to pay claims at June 30, 2003	\$ 569,117

NOTE 13 - 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, 2003

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 2002-2003 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, 2003, 2002, and 2001, were \$3,736,704, \$3,164,882, and \$2,870,562, 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 2002-2003 was 2.894 percent of annual payroll (decreasing to 2.771 percent of pay under a special funding situation effective with the February 2003 payroll period due to the State's direct reimbursement to CalPERS of the cost for certain legislated benefit increases in the plan). 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, 2003, 2002, and 2001, were \$514,464, \$-0-, and \$-0-, respectively, and equal 100 percent of the required contributions for each year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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 \$50,460, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$50,460, which was 3.75 percent of the covered payroll.

D. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$167,218 (4.475 percent of salaries subject to STRS) and contributions to PERS in the amount of \$473 (.092 percent of salaries subject to PERS), for the year ended June 30, 2003. 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 14 - COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

B. Litigation

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

C. 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, 2003.

Year Ending June 30,	Lease Payment
2004	\$ 10,200
2005	10,200
2006	10,200
2007	10,200
2008	10,200
2009-2011	30,600
Total	81,600
Less: Amount Representing Interest	-
Present Value of Minimum Lease Payments	<u>\$ 81,600</u>

D. Construction Commitments

As of June 30, 2003, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
K-12 Mega Site Growth Project	<u>\$ 11,121,086</u>	<u>06/30/04</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 15 - 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>RSIA</u>	<u>DSSIPE</u>
A. <u>Entity</u>		
B. <u>Purpose</u>	Arranges for and provides property and liability insurance for its members.	Arranges for and provides workers' compensation coverage for its members.
C. <u>Participants</u>	Various school entities in San Bernardino and Riverside counties.	Various school entities in Riverside counties.
D. <u>Governing Board</u>	Representative from each member district.	Representative from each member district.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

E. Condensed Audited Financial Information Follows

	RSIA	DSSIPE
	June 30, 2002*	June 30, 2002*
Assets	\$ 5,920,916	\$ 4,604,607
Liabilities	3,588,844	692,102
Fund Equity	\$ 2,332,072	\$ 3,912,505
Revenues	5,897,684	595,058
Expenses	(4,877,710)	(235,458)
Distributions	(577,077)	-
Net Increase in Fund Equity	\$ 442,897	\$ 359,600
F. <u>Payments for the Current Year</u>	\$ 417,666	\$ 1,600,169

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

NOTE 16 - SUBSEQUENT EVENTS

On November 20, 2003, the District, in conjunction with the Riverside County Schools Financing Corporation, issued \$3,500,000 in 2003 Certificates of Participation, with interest rates ranging from 2.25 to 4.50 percent, to finance the construction and renovation of school facilities. The 2003 Certificates have a maturity date of September 1, 2017. Principal payments are due annually on September 1, with interest payments due semi-annually on September 1 and March 1.

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REQUIRED SUPPLEMENTARY INFORMATION

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 63,214,966	\$ 65,022,238	\$ 65,209,075	\$ 186,837
Federal sources	11,635,491	21,222,363	16,232,049	(4,990,314)
Other state sources	18,409,044	21,083,092	19,090,484	(1,992,608)
Other local sources	5,906,428	7,165,101	7,547,053	381,952
Total Revenues	99,165,929	114,492,794	108,078,661	(6,414,133)
EXPENDITURES				
Current				
Instruction	63,213,833	76,249,476	65,872,789	10,376,687
Instruction-related activities:				
Supervision of instruction	1,884,549	1,877,489	1,591,548	285,941
Instructional library, media, and technology	210,880	217,802	211,689	6,113
School site administration	9,050,606	11,334,521	10,526,119	808,402
Pupil services:				
Home-to-school transportation	5,312,792	5,366,230	5,089,601	276,629
Food services	-	71	26	45
All other pupil services	2,970,694	3,509,997	3,234,410	275,587
General administration:				
Data processing	889,790	1,441,877	1,031,761	410,116
All other general administration	4,420,844	4,930,416	4,627,421	302,995
Plant services	9,205,046	9,555,584	8,741,207	814,377
Facility acquisition and construction	1,018,379	5,167,729	6,299,763	(1,132,034)
Community services	291,660	400,798	374,505	26,293
Other outgo	698,665	698,665	-	698,665
Debt service				
Principal	-	-	689,367	(689,367)
Interest	-	-	188,868	(188,868)
Total Expenditures	99,167,738	120,750,655	108,479,074	12,271,581
Excess (Deficiency) of Revenues Over Expenditures	(1,809)	(6,257,861)	(400,413)	5,857,448
Other Financing Sources (Uses):				
Other sources	-	-	3,680,922	3,680,922
Transfers out	(1,069,694)	(1,722,193)	(1,722,193)	-
Other uses	-	-	(14,415)	(14,415)
Net Financing Sources (Uses)	(1,069,694)	(1,722,193)	1,944,314	3,666,507
NET CHANGE IN FUND BALANCES	(1,071,503)	(7,980,054)	1,543,901	9,523,955
Fund Balance - Beginning	20,870,862	20,870,862	20,870,862	-
Fund Balance - Ending	\$ 19,799,359	\$ 12,890,808	\$ 22,414,763	\$ 9,523,955

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

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SUPPLEMENTARY INFORMATION

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards:			
Title VII - Bilingual Education - Program Development and Implementation	84.288S	[2]	\$ 186,107
Title VII - Bilingual Education - Comprehensive School Grants	84.290U	[2]	654,851
21st Century - After School Learning Centers [1]	84.287B	[2]	448,529
Title IX - Indian Education	84.060A	[2]	2,366
Impact Aid	84.041	[2]	543,229
Passed through California Department of Education (CDE):			
Adult Education Grants			
Citizenship	84.002	13974	9,000
ESL	84.002	14302	33,586
Secondary	84.002	13978	13,950
English Literacy and Civics Education	84.002	14109	166,000
Improving America's Schools Act (IASA)			
Title I - Basic [1]	84.010	13064	5,817,488
Title I - Part B, Reading First	84.357A	14328	245,865
Title I - Program Improvement	84.348A	14106	346,837
Title II - Eisenhower Math and Science	84.281	03207	70,626
Title II - Part A, Improving Teacher Quality [1]	84.367	14341	967,313
Title III - Education Technology Literacy Challenge	84.318X	03285	47,170
Title III - Immigrant Education Program	84.365A	14346	57,215
Title III - Limited English Proficiency	84.365A	10084	203,660
Title IV - Drug-Free Schools	84.184	03453	112,439
Title VI - Innovative Strategies	84.298	03340	121,123
Title VI - Federal Class Size Reduction	84.340	03073	13,234
Title VII - Emergency Immigrant Education	84.162	03159	-
Title VIII, Reading Excellence Act	84.338A	04155	526,676
21st Century - Community Learning Centers [1]	84.287	14349	1,823
Vocational Educational Grant			
Applied Technology- Secondary Education	84.048	03577	140,198
Applied Technology- State Leadership	84.048	13920	1,944
Goals 2000 - Educate America Act	84.276A	14379	447,500
Advanced Placement Fee Payment Incentive	84.330	03917	17,072

[1] Tested as a major program.

[2] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the Office of Public School Construction			
Federal School Renovation and Repair	84.352A	14313	\$ 339,060
Passed through Riverside County Office of Education:			
Individuals with Disabilities Education Act (IDEA)			
Federal Preschool	84.173A	03430	49,601
Local Assistance	84.027A	03379	1,190,087
Preschool Local Assistance	84.027A	03682	57,820
Local Staff Development	84.027A	03613	3,527
Low Incidence	84.027A	03459	-
Project Workability	84.027A	03705	69,228
Title I - Migrant Education	84.011	03628	906,081
Title I - Even Start Migrant Education	84.214	10030	68,369
School-to-Work	84.278	10009	100
Total U.S. Department of Education			<u>13,879,674</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Especially Needy Breakfast [1]	10.553	03526	833,472
Basic Breakfast [1]	10.553	03525	310
Food Distribution [1]	10.550	03389	694,396
National School Lunch Program [1]	10.555	03524	3,827,049
Child and Adult Care Food Program	10.558	03665	301,398
Meals Supplement [1]	10.555	03755	23,294
Total U.S. Department of Agriculture			<u>5,679,919</u>

[1] Tested as a major program.

[2] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medi-Cal Billing Option	93.778	10013	\$ 63,836
Medical Administrative Activities Program	93.778	10060	327,781
Passed through Riverside County Office of Education:			
Headstart	93.600	10016	2,183,294
Passed through CDE:			
Child Care Center Based	93.596	13609	367,114
Passed through Coachella Valley Housing Coalition:			
Child Care Center Based	93.596	13609	544,503
Passed through CDE:			
Playground Equipment	93.575	14136	18,805
Infant and Toddler Playground Safety	93.575	13942	22,792
Total U.S. Department of Health and Human Services			3,528,125
Total Expenditures of Federal Awards			<u>\$ 23,087,718</u>

[1] Tested as a major program.

[2] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2003

		Second Period ADA		
		Amended	Amended	Increase/
		2002-2003	2001-2002	(Decrease)
		Annual		
ELEMENTARY				
Kindergarten	1,040	1,083	1,027	56
First through third	3,433	3,529	3,402	127
Fourth through sixth	3,125	3,212	3,105	107
Seventh and eighth	1,834	1,987	1,823	164
Home and hospital	1	1	1	-
Special education	247	234	253	(19)
Total Elementary	9,680	10,046	9,611	435
SECONDARY				
Regular classes	2,689	2,932	2,699	233
Continuation education	114	117	115	2
Home and hospital	4	3	4	(1)
Special education	145	173	156	17
Total Secondary	2,952	3,225	2,974	251
Total K-12	12,632	13,271	12,585	686
CLASSES FOR ADULTS				
Concurrently enrolled	17	18	15	3
Not concurrently enrolled	304	272	305	(33)
Total Classes for Adults	321	290	320	(30)
Grand Total	12,953	13,561	12,905	656
SUMMER SCHOOL				
Elementary		321,304	352,265	(30,961)
High School		171,945	165,570	6,375
Total Hours		493,249	517,835	(24,586)

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2003

Grade Level	1982-83	1986-87	2002-03	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	36,000	36,570	180	-	Complied
Grades 1 - 3	48,560	50,400	54,518	180	-	Complied [1]
Grades 4 - 6	58,730	54,000	56,145	180	-	Complied [1]
Grades 7 - 8	58,730	54,000	58,740	180	-	Complied [1]
Grades 9 - 12	58,730	64,800	65,553	180	-	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, 2003

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

	<u>General</u>	<u>Special Reserve Capital Outlay</u>	<u>Self-Insurance</u>
FUND BALANCE			
Balance, June 30, 2003, Unaudited Actuals	\$ 21,799,960	\$ 15,059,995	\$ 542,831
Increase in:			
Cash with fiscal agent	-	-	26,286
Accounts receivable	429,619	-	-
Claims liability	-	-	(335,000)
Decrease in:			
Cash with fiscal agent	-	(5,683,419)	-
Deferred revenue	185,184	-	-
Balance, June 30, 2003, Audited Financial Statement	<u>\$ 22,414,763</u>	<u>\$ 9,376,576</u>	<u>\$ 234,117</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2003

	(Budget) 2004 ¹	2003	2002	2001
GENERAL FUND				
Revenues	\$ 106,291,281	\$ 108,078,661	\$ 100,893,057	\$ 86,878,609
Other sources	-	3,680,922	-	144,254
Total Revenues and Other Sources	106,291,281	111,759,583	100,893,057	87,022,863
Expenditures	106,266,981	108,479,074	92,739,171	82,605,300
Other uses and transfers out	1,635,978	1,736,608	1,254,804	2,782,478
Total Expenditures and Other Uses	107,902,959	110,215,682	93,993,975	85,387,778
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,611,678)	\$ 1,543,901	\$ 6,899,082	\$ 1,635,085
ENDING FUND BALANCE	\$ 20,803,085	\$ 22,414,763	\$ 20,870,862	\$ 13,858,449
AVAILABLE RESERVES ²	\$ 3,457,614	\$ 5,264,588	\$ 3,964,493	\$ 3,772,871
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.20%	4.78%	4.22%	4.42%
LONG-TERM DEBT	N/A	\$ 45,947,907	\$ 32,326,592	\$ 32,012,988
AVERAGE DAILY ATTENDANCE AT P-2 ³	13,738	13,271	12,585	11,947

The General Fund balance has increased by \$8,556,314 over the past two years. The fiscal year 2003-04 budget projects a decrease of \$1,611,678 (7.2 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 and anticipates incurring an operating deficit during the 2003-04 fiscal year. Total long-term debt has increased by \$13,934,919 over the past two years.

Average daily attendance has increased by 1,324 over the past two years. Additional growth of 467 ADA is anticipated during fiscal year 2003-04.

¹ Budget 2004 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 and ROP ADA.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2003

	Adult Fund	Child Development Fund	Deferred Maintenance Fund	Building Funds
ASSETS				
Deposits and investments	\$ 44,994	\$ 17	\$ 563,759	\$ 68,728
Receivables	100,114	93,801	1,905	73
Due from other funds	18,121	30,109	-	-
Total Assets	<u>\$ 163,229</u>	<u>\$ 123,927</u>	<u>\$ 565,664</u>	<u>\$ 68,801</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	60,431	44,166	17,161	68,801
Due to other funds	98,695	79,583	-	-
Total Liabilities	<u>159,126</u>	<u>123,749</u>	<u>17,161</u>	<u>68,801</u>
Fund Balances:				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	4,103	178	548,503	-
Debt service funds	-	-	-	-
Total Fund Balances	<u>4,103</u>	<u>178</u>	<u>548,503</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 163,229</u>	<u>\$ 123,927</u>	<u>\$ 565,664</u>	<u>\$ 68,801</u>

See accompanying note to supplementary information.

Capital Facilities Fund	State School Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 1,044,339	\$ -	\$ 1,402,961	\$ 3,124,798
34,802	507	-	231,202
-	-	-	48,230
<u>\$ 1,079,141</u>	<u>\$ 507</u>	<u>\$ 1,402,961</u>	<u>\$ 3,404,230</u>
16,176	507	-	207,242
1,062,965	-	-	1,241,243
<u>1,079,141</u>	<u>507</u>	<u>-</u>	<u>1,448,485</u>
-	-	-	552,784
-	-	1,402,961	1,402,961
-	-	1,402,961	1,955,745
<u>\$ 1,079,141</u>	<u>\$ 507</u>	<u>\$ 1,402,961</u>	<u>\$ 3,404,230</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2003

	Adult Fund	Child Development Fund	Deferred Maintenance Fund	Building Fund
REVENUES				
Revenue limit sources	\$ 650,473	\$ -	\$ -	\$ -
Federal sources	222,536	953,214	-	-
Other state sources	-	816,650	435,947	-
Other local sources	41,092	24,264	5,703	10,914
Total Revenues	<u>914,101</u>	<u>1,794,128</u>	<u>441,650</u>	<u>10,914</u>
EXPENDITURES				
Current				
Instruction	769,144	1,569,333	-	-
Instruction-related activities:				
Supervision of instruction	177,665	91,609	-	-
School site administration	16,710	13,937	-	-
General administration:				
All other general administration	38,695	68,779	-	-
Plant services	23,735	37,864	-	-
Facility acquisition and construction	1,153	68,810	841,646	100,914
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>1,027,102</u>	<u>1,850,332</u>	<u>841,646</u>	<u>100,914</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>(113,001)</u>	<u>(56,204)</u>	<u>(399,996)</u>	<u>(90,000)</u>
Other Financing Sources (Uses):				
Transfers in	38,000	-	551,262	90,000
Transfers out	-	-	-	-
Net Financing				
Sources (Uses)	<u>38,000</u>	<u>-</u>	<u>551,262</u>	<u>90,000</u>
NET CHANGE IN FUND BALANCES	<u>(75,001)</u>	<u>(56,204)</u>	<u>151,266</u>	<u>-</u>
Fund Balance - Beginning	79,104	56,382	397,237	-
Fund Balance - Ending	<u>\$ 4,103</u>	<u>\$ 178</u>	<u>\$ 548,503</u>	<u>\$ -</u>

See accompanying note to supplementary information.

Capital Facilities Fund	State School Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 650,473
-	-	-	1,175,750
-	-	8,462	1,261,059
3,542,032	507	970,400	4,594,912
<u>3,542,032</u>	<u>507</u>	<u>978,862</u>	<u>7,682,194</u>
-	-	-	2,338,477
-	-	-	269,274
-	-	-	30,647
-	-	-	107,474
-	-	-	61,599
729,067	507	-	1,742,097
-	-	380,000	380,000
-	-	574,869	574,869
<u>729,067</u>	<u>507</u>	<u>954,869</u>	<u>5,504,437</u>
<u>2,812,965</u>	<u>-</u>	<u>23,993</u>	<u>2,177,757</u>
-	-	-	679,262
<u>(2,812,965)</u>	<u>-</u>	<u>-</u>	<u>(2,812,965)</u>
<u>(2,812,965)</u>	<u>-</u>	<u>-</u>	<u>(2,133,703)</u>
-	-	23,993	44,054
-	-	1,378,968	1,911,691
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,402,961</u>	<u>\$ 1,955,745</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES OF FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2003

(Dollar amounts in thousands)

	Actual Results for the Years					
	2002-2003		2001-2002		2000-2001	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 16,232	15.0	\$ 10,578	10.5	\$ 7,786	9.0
State and local revenue included in revenue limit	65,209	60.3	61,489	60.9	55,364	63.7
Other state revenue	19,090	17.7	21,013	20.8	17,317	19.9
Other local revenue	3,544	3.3	3,919	3.9	6,412	7.4
Tuition and transfers in	4,004	3.7	3,894	3.9	-	-
Total Revenues	108,079	100.0	100,893	100.0	86,879	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	45,302	41.9	41,375	41.0	36,986	42.6
Classified salaries	17,617	16.3	15,814	15.7	13,707	15.8
Employee benefits	17,733	16.4	15,179	15.0	12,108	13.9
Total Salaries and Benefits	80,652	74.6	72,368	71.7	62,801	72.3
Books and supplies	12,634	11.7	7,587	7.5	6,901	7.9
Contracts and operating expenses	8,347	7.7	7,069	7.0	6,375	7.4
Capital outlay	3,432	3.2	4,424	4.4	5,583	6.4
Other outgo	3,414	3.2	1,290	1.2	946	1.1
Total Expenditures	108,479	100.4	92,738	91.8	82,606	95.1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(400)	(0.4)	8,155	8.2	4,273	4.9
OTHER FINANCING SOURCES (USES)						
Net transfers	1,944	1.8	(1,255)	(1.3)	(2,638)	(3.0)
INCREASE IN FUND BALANCE	1,544	1.4	6,900	6.9	1,635	1.9
FUND BALANCE, BEGINNING	20,871		13,858		12,223	
RESIDUAL EQUITY TRANSFER	-		113		-	
FUND BALANCE, ENDING	\$ 22,415		\$ 20,871		\$ 13,858	
* * * * *						
BASE REVENUE LIMIT PER ADA						
Regular K-12	\$ 4,743		\$ 4,650		\$ 4,475	

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, 2003

(Dollar amounts in thousands)

	Actual Results for the Years					
	2002-2003		2001-2002		2000-2001	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 5,680	79.6	\$ 4,857	79.5	\$ 4,102	80.2
State meal program	341	4.8	298	4.9	276	5.4
Food sales	1,038	14.5	860	14.1	644	12.6
Other	79	1.1	94	1.5	91	1.8
Total Revenues	7,138	100.0	6,109	100.0	5,113	100.0
EXPENDITURES						
Salaries and employee benefits	2,903	40.7	2,647	43.3	2,538	49.7
Food	2,715	38.0	1,828	29.9	2,025	39.6
Supplies	195	2.7	18	0.3	42	0.8
Other	173	2.4	877	14.4	493	9.6
Total Expenditures	5,986	83.8	5,370	87.9	5,098	99.7
INCREASE IN FUND BALANCE	1,152	16.2	739	12.1	15	0.3
FUND BALANCE, BEGINNING	1,664		925		910	
FUND BALANCE, ENDING	\$ 2,816		\$ 1,664		\$ 925	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2002-2003		2001-2002		2000-2001	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	116,047	6.1	129,466	7.7	213,647	12.7
Reduced price	158,227	8.3	161,928	9.6	131,100	7.8
Free	1,631,998	85.6	1,393,154	82.7	1,339,401	79.5
Total Lunches	1,906,272	100.0	1,684,548	100.0	1,684,148	100.0
BREAKFAST						
Paid	19,935	3.2	22,380	4.1	30,823	5.3
Reduced price	29,454	4.8	29,979	5.6	20,932	3.6
Free	569,062	92.0	484,800	90.3	532,194	91.1
Total Breakfast	618,451	100.0	537,159	100.0	583,949	100.0

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2003

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 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. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at 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 Unaudited Actual Financial Report 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.

F. Combining Statements

These statements provide information on the District's non-major funds.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2003

G. 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.

H. 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' REPORTS

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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, 2003, and have issued our report thereon dated November 7, 2003. 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 7, 2003.

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 2003-1.

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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Coachella Valley Unified School District in a separate letter dated November 7, 2003.

This report is intended for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2003



**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, 2003. Coachella Valley Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Coachella Valley Unified School District's management. 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 of Coachella Valley Unified School District's compliance with those requirements.

In our opinion, 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, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as items 2003-2 and 2003-3.

Internal Control Over Compliance

The management of Coachella Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that we have reported to the management of Coachella Valley Unified School District in a separate letter dated November 7, 2003.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varnick, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2003



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, 2003, and have issued our report thereon dated November 7, 2003. 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 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.

The management of Coachella Valley Unified School District is responsible for the District's 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 State laws and regulations applicable to 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 district	4	Yes
County Offices of Education	4	Not Applicable
GANN limit calculation	1	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	10	Not Applicable
Option two classes	9	Not Applicable
Option one and two classes	14	Yes
Program to reduce class size in two courses in grade 9	8	Yes
State Instructional Materials Fund:		
Instructional Materials Funding Realignment Program	9	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
Ratios of Administrative Employees to Teachers	3	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. 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.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavink, Thine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2003

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</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>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Basic</u>
<u>10.550, 10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.287</u>	<u>21st Century Learning</u>
<u>84.367</u>	<u>Title II - Improving Teacher Quality</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 692,632</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

The following findings represent reportable conditions, material weaknesses, and/or 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

FOOD SERVICES

2003-1 30000

Finding

We noted the following internal control weaknesses during our interim audit:

- The sites appear to be consistently over or short between their cash sales and the actual amount of monies that they deposit in the bank. One site was over \$100 and another site was over \$320 over a two week time period. The Food Service department is not requiring the sites to explain the differences.
- Fifteen out of twenty lunch applications were not signed by the determining official.
- Thirteen out of twenty lunch applications tested did not have the school only section completely filled out. The household income and size were not completed on the application by the determining official.

Recommendation

- Any overages or shortages at the site level that exceed a predetermined amount established by Food Services should be investigated. The site should document in writing on their daily cash count why the discrepancy existed.
- Lunch applications should be completely filled out by someone performing the eligibility determination at Food Services. This includes completing each section and initialing the lunch application.

District Response

Agree with the finding and recommendation. Business Services will recommend that the Food Services clerical staff's job duties be reorganized to effect the following: 1) A process in which discrepancies at school sites will be investigated. (2) A procedure that ensures that lunch applications are completed properly.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2003

The following findings represent reportable conditions, material weaknesses, and/or 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

2003-2 50000

Semi-Annual Certifications – Title I, Title II, 21st Century

Finding

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. Updated and adequate instruction on the compliance requirements of semi-annual certifications will be provided to the appropriate supervisory staff of the subject programs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2003

TITLE I, TITLE II, AND 21 CENTURY

2003-3 50000

Finding

The District does not document and retain certifications of time spent on programs for single or multi-funded employees as requirements set forth in the Office of Management and Budget's Circular A-87.

Recommendation

Employees funded from a single program should sign a semi-annual certification. Certifications should be tracked by position control. Employees funded from multiple cost objects are required to complete personnel activity reports. Cost circular A-87 sets forth the requirements. These reports should document actual duties performed and to which program those duties apply, be signed by the employee. The results should be submitted to Program director to evaluate on a monthly basis. A time study is then performed, comparing budgeted payroll to actual duties. If there is greater than a 10% variance an adjustment must be made. A substitute system was approved by the Office of Management and Budget for California. Information on system requirements is available from the state of California Department of Education. The substitute system includes performing time studies from personnel activity reports in the first year, but then allows district to document wages using certifications submitted to program directors 3 times annually as opposed to monthly activity reports.

District Response

Agree with the finding. With assistance from the District's financial consultant, a plan will be developed to implement a procedure that ensures that the District complies with all requirements related to semi-annual certifications.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2003

There were no findings representing instances of noncompliance and questioned costs relating to State program laws and regulations.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

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.

Financial Statement Findings

2002-1 20000

GENERAL FIXED ASSETS

Finding

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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

2002-2 30000

INCOMPLETE I-9 FORMS

Finding

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.

Current Status

Implemented.

2002-3 30000

PAYROLL

Finding

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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

2002-4 60000

MISCELLANEOUS

STATEMENT OF ECONOMIC INTEREST

Finding

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.

Current Status

Implemented.

2002-5 60000

COLLATERALIZATION AGREEMENT

Finding

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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

2002-6 30000

CASH CLEARING

Findings

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.
- 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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

2002-7 30000

REVOLVING CASH

Findings

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".

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

2002-8 30000

FOOD SERVICE

Finding

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.

Current Status

Not Implemented, see Management Letter.

2002-9 30000

Finding

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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

Federal Award Findings

2002-10 50000

Semi-Annual Certifications - Head Start, Federal Block Grant Programs

Finding

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.

Current Status

Not Implemented, see current year finding 2003-2.

State Award Findings

2002-11 10000

Attendance - Kindergarten Retention Forms

Finding

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).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

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.

Current Status

Implemented.

2002-12 10000, 40000

Cahuilla Desert Academy School

Finding

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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2003

2002-13 10000, 30000

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

Finding

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.

Current Status

Implemented.



November 7, 2003

Governing Board
Coachella Valley Unified School District
Thermal, California

In planning and performing our audit of the financial statements of Coachella Valley Unified School District for the year ended June 30, 2003, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 7, 2003, on the financial statements of Coachella Valley Unified School District.

TITLE I

During our audit of school-wide programs, it was noted that the school-wide plans for the sites do not mention transition plans for assisting preschool children in the successful transition to the school-wide program as required by OMB Circular 34CFR 200.28(e).

Recommendation

The District needs to revise the school-wide plan to meet the requirements.

Finding

Purchase orders are approved and sent to Purchasing without documentation of the items to be purchased with federal categorical monies. Part of the approval process is to determine that the items to be purchased are in compliance with the grant. This step cannot be completed without the information as to what the item or items to be purchased are.

Recommendation

The District should have procedures and controls set in place to determine which are allowable expenditures and what information is required on the purchase order before the PO is allowed to be approved.

DISBURSEMENTS

Finding

During our audit of accounts payable, we noted that "dummy purchase orders" were used in some instances, in place of regular purchase orders. The procedure for partial payments is the original purchase order is photocopied and the partial payment is recorded on the copied purchase order. It is not the District's policy for the dummy purchase orders to be used in this way.

Recommendation

Dummy purchase orders should only be used if the original purchase order was lost or is missing. The accounts payable department needs to adhere to District policy.

FOOD SERVICES

Finding

We noted the following internal control weakness during our interim audit:

- The daily average balance per the March bank statement was \$1,185,817.47. The checking account is interest bearing, but is only earning .25% per year.

Recommendation

Food Services should consider using either a CD, savings, or sweep account to earn additional interest revenue.

SITE CASH

Oasis Elementary

Finding

During our audit, we noted that receipts used by the library were not used in sequential order.

Recommendation

All the receipts should be written in sequential order. Missed receipts should not be filled after the fact and should be voided in order to maintain a good tracking system.

Cesar Chavez Elementary, Mecca Elementary, Oasis Elementary, Westside Elementary

Finding

During our testing, we noted that monies being collected and receipted for lost/damaged library books and textbooks are not being sent to the District on a timely basis. We noted a period of 40 to 300 days between cash collections and transmittals to the District for the different sites.

Recommendation

Cash collected should be transmitted to the District office every two weeks, per District policy, or when the amounts become substantial, whichever occurs first, to assure proper safeguarding of collections made.

Cesar Chavez Elementary, Westside Elementary

Finding

During our testing, we noted that refunds were not properly documented. District policy is that if a student requests a refund prior to the money being transmitted to the District, the original receipt should be obtained from the student and voided. The voided receipts should be maintained in the receipt book.

Recommendation

All cash collected should be transmitted to the District office. All refunds should be properly handled through the District by requesting a refund or a P.O. if the cash has been transmitted to the District. If the cash has not yet been transmitted to the District, the site should obtain the original receipt and void both the original receipt and the copy maintained in the receipt book.

Cesar Chavez Elementary, Westside Elementary

Finding

When monies are remitted to the District office for lost or damaged books, it is not accompanied by a transmittal.

Recommendation

A cash transmittal should be used to summarize the monies collected and transmitted to the District office. This form would provide an explanation of what the monies were collected for and allow the District to properly account for the funds once they are received at the District office.

Westside Elementary

Finding

The same receipt book is used by different people for different collection purposes. Monies are being collected for lost and damaged textbooks by the Library and the Media Clerk is using the same receipt book for any cash collections that they make. The receipts are not being deposited together so we were unable to determine if all monies collected were transmitted to the District intact.

Recommendation

To strengthen internal controls over cash collections and to ensure continuity of receipts, separate receipt books should be used for different collection purposes.

Coachella Valley High School, La Familia Continuation High School

Finding

During our audit of site cash, we noted the following:

- At Coachella Valley High School, District cash receipts for parking permits and lost books are not transmitted timely. As of May 14, 2003, none of the money receipted at the site had been transmitted to the District. The site had \$1,083 in cash awaiting deposit in the secretary's office.
- At La Familia Continuation High School, \$30 of the District money has been awaiting transmittal. The site has not transmitted any money this year. Money at the site is over 60 days old.

Recommendation

We are aware that the District policy is that cash collections are to be transmitted to the District within two weeks of collections. The District enforcing this policy would strengthen the internal controls over cash.

La Familia Continuation High School

Finding

The cash receipted in the District's receipt book was used to make cash purchases. The money collected in the receipt book was taken to Coachella Valley High School to purchase prom tickets at the high school.

Recommendation

All money collected in the District's receipt book should be transmitted to the District. A policy needs to be in place preventing cash purchases from the receipted money. One way, in the case of the prom tickets, is for the continuation school to collect the funds for prom and issue receipts for their students. Then the receipts and the money are turned in to the District. Then the continuation school could let Coachella Valley High School know how many students will be attending and Coachella Valley High School could invoice the District or the Continuation school for the tickets. Then a purchase order could be requested to pay for the tickets.

FACILITIES

Finding

During our audit of site cash, we noted that the receipt book for developer fees was torn apart to have two receipt books. One book is for facility fees and the other is for developer fees. The division of the book has left receipts loose and the numbers are no longer in sequence. The loose receipts are a weakness in internal controls and an easy target for false receipts that could be missed because of the variation in the sequence. In addition, it appears that Facilities accepts both cash and checks for developer fee collections.

Recommendation

Each separate division should have its own receipt book and all the pink (the site's copy) receipts should stay in the receipt book in numerical order. This will ensure a clear audit trail and better internal controls. The District may want to limit developer fees to certificated cashier's checks, which are less susceptible to misappropriation and limit the possibility that personal checks will be returned due to insufficient funds.

ASSOCIATED STUDENT BODY

Coachella Valley High School

Finding

Revenue is not posted to the proper accounts until the money is collected and verified by the bank.

Recommendation

Revenue should be posted to the correct ASB accounts at the time that it is earned. Any adjustments or differences in the amount of money deposited by the bank and the amount posted as revenue should be in the general ledger as an adjustment. These adjustments provide a clear audit trail to the amount of revenue earned and problem areas that need attention.

Westside Elementary

Finding

During our testing, we noted that monies being collected and receipted by the Associated Student Body are not being sent to the District on a timely basis.

Recommendation

Cash collected by the Associated Student Body should be transmitted to the District office at least twice a month or when the amounts become substantial, whichever occurs first, to assure safeguard of collections.

Westside Elementary, Coachella Valley High School

Finding

Revenue potential forms used are not complete (containing only one of four required parts) to document and control fund-raising activities as they occur. The complete forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

A complete revenue potential form 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. The revenue potential form used at the site should contain four major elements (parts 2, 3, and 4 should be maintained). These are:

1. Potential Income - This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
2. Receipts/Fundraiser Deposits - This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis - This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap - This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Westside Elementary

Finding

Daily Sales summaries are not kept for a backup to document student store sales. Since there is no cash register in the store to account for sold items, no controls exist over cash collections.

Recommendation

To ensure accuracy and completeness of collections, daily sales summary/analysis should be prepared and kept on file as a proof of an adequate control over the student store. The daily sales summaries should be reconciled on a regular basis to the inventory sold to determine if all cash and inventory items are being accounted for.

Governing Board
Coachella Valley Unified School District
November 7, 2003

If you have any questions, please contact me.

Yours very truly,

A handwritten signature in black ink, appearing to read "Gregory P. Cook". The signature is stylized with a large, looped "G" and a prominent "C".

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

GPC/la