

**COACHELLA VALLEY
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2004

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
OF RIVERSIDE COUNTY
THERMAL, CALIFORNIA
JUNE 30, 2004

GOVERNING BOARD

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

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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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, 2004, 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, 2004, 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.

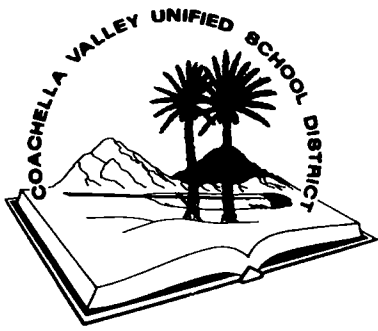
In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 accounting principles generally accepted in the United States of America. 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.

Vavink, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2004



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, 2004. 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, 2004

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Completed construction on Las Palmitas Elementary, Toro Canyon Middle School and 75% of the classrooms at Desert Mirage High School providing new state of the art educational facilities for over 2,067 students K-9 grades – Budgeted \$1,620,000 in ongoing operational expenditures
- Completed New Construction/Expansion of Saul Martinez Elementary with State Bond Funding of \$5,081,669 and COP funds of \$5,081,669
- Began Modernization of four elementary schools – State Funds - \$3,983,892 – COP Funds - \$2,650,669 – Cafeteria Fund - \$295,000
 - Westside - New MPR/Office/Library/Restrooms/Classroom IT/cabinetry
 - Peter Pendleton - New Office/Library/MPR floor/walls/Restrooms/classroom walls/IT
 - Sea View - New Nurses Office/ADA upgrade/classroom/restroom upgrade
 - John Kelley - New Kitchen/restrooms/classroom upgrade/ADA compliance
- Completed Construction of new Transportation Office, Drivers Lounge, and Community/Student Health Clinic with \$751,076 RDA Funds, Local Grant Funds - \$80,000
- Opened escrow on a 15 acre Elementary School Site in East Coachella - \$900,000
- Purchased a 20 acre Elementary School Site in West Coachella - \$800,000
- Lease Purchase seven school buses to cover additional routes for K-12 education Park (\$718,442)
- Collected over \$6,100,000 in developer fees that we used for portable classrooms, restrooms and other growth related school site projects
- Purchased five new vehicles for growth and replacement in the Technology, Maintenance and Grounds Departments and six School Site Athletic Vans (\$500,000)
- Food Service Department realized a profit of \$410,430 and budgeted over \$500,000 toward construction of new kitchens and new equipment for existing kitchens
- The District covered the cost of the 16.6% increase for Health and Welfare Premium for CSEA, CVTA and Management in the 2003-2004 Negotiations Settlement

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, 2004

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, 2004

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 \$179.1 million for the fiscal year ended June 30, 2004. Of this amount, \$19.6 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, 2004

Table 1

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 60.5	\$ 88.0	\$ 3.3	\$ 2.7	\$ 63.8	\$ 90.7
Capital assets	170.9	132.8	0.3	0.3	171.2	133.1
Total Assets	231.4	220.8	3.6	3.0	235.0	223.8
Current liabilities	5.0	11.4	0.1	0.1	5.1	11.5
Long-term debt	50.8	45.9	-	-	50.8	45.9
Total Liabilities	55.8	57.3	0.1	0.1	55.9	57.4
Net assets						
Invested in capital assets, net of related debt	124.2	90.8	0.3	0.3	124.5	91.1
Restricted	34.9	55.4	0.1	0.1	35.0	55.5
Unrestricted	16.5	17.3	3.1	2.4	19.6	19.7
Total Net Assets	\$ 175.6	\$ 163.5	\$ 3.5	\$ 2.8	\$ 179.1	\$ 166.3

The \$16.5 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 \$16.5 million left. We will need to closely monitor our expenditures in the future and adhere strictly to the budget to increase this \$16.5 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, 2004

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for services	\$ 7.8	\$ 5.8	\$ 1.1	\$ 1.0	\$ 8.9	\$ 6.8
Operating grants and contributions	44.6	36.5	6.4	5.9	51.0	42.4
Capital grants and contributions	5.1	0.1	-	-	-	-
General revenues:						
State revenue limit sources	76.0	71.1	-	-	76.0	71.1
Property taxes	1.7	0.9	-	-	1.7	0.9
Other general revenues	1.3	2.9	0.2	0.2	1.5	3.1
Total Revenues	136.5	117.3	7.7	7.1	139.1	124.3
Expenses						
Instruction related	91.0	83.4	-	-	91.0	83.4
Student support services	9.4	8.5	7.0	6.3	16.4	14.8
Administration	6.0	5.8	-	-	6.0	5.8
Maintenance and operations	12.4	8.9	-	-	12.4	8.9
Other	2.0	4.2	-	-	2.0	4.2
Total Expenses	120.8	110.8	7.0	6.3	127.8	117.1
Change in Net Assets	\$ 15.7	\$ 6.5	\$ 0.7	\$ 0.8	\$ 11.3	\$ 7.2

Governmental Activities

As reported in the Statement of Activities on page 17, the cost of all of our governmental activities this year was \$120.8 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$15.0 million because the cost was paid by those who benefited from the programs (\$7.8 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$44.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$15.0 million in taxes, \$62.7 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, 2004

Table 3

(Dollar amounts in millions)

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Instruction	\$ 74.4	\$ 70.2	\$ 44.5	\$ 42.1
Instruction-related activities	16.6	13.2	8.5	7.5
Home-to-school transportation	5.8	5.2	2.8	1.5
Other pupil services	3.6	3.3	(4.2)	0.8
General administration	6.0	5.8	4.3	4.5
Maintenance and operations	10.0	8.9	9.7	8.5
Facility acquisition and construction	2.4	2.1	2.4	2.1
Community services	0.1	0.4	-	(0.2)
Interest on long-term debt	1.9	1.7	1.9	1.7
Other	0.1	-	(6.5)	-
Totals	\$ 120.9	\$ 110.8	\$ 63.4	\$ 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 \$55.2million, which is a decrease of \$21.1 million from last year.

Table 4

(Dollar amounts in millions)

	Fund Balance	
	June 30, 2004	June 30, 2003
General	\$ 23.1	\$ 22.4
County School Facilities Fund	20.2	42.6
Special Reserve-Capital Fund	9.9	9.4
Deferred Maintenance	0.5	0.5
Debt Service	1.4	1.4
Other Non-Major Funds	0.1	-
Totals	\$ 55.2	\$ 76.3

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

The primary reasons for these increases/decreases are:

- a. The increase of \$.7 million in the General Fund is due to: 1) Increased enrollment, 2) Increase in State revenues.
- b. The decrease of \$44.4 million in the County School Facilities Fund is due to: 1) 90% completion of new schools.
- c. The increase of \$.5 million in the Special Reserve Fund is due to: 1) Increased revenue from redevelopment sources.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to deal with changes brought about by anticipated increases or decreases in revenues and expenditures. The final budget revision to the adopted budget (estimated actuals) was adopted on June 24, 2004 (see page 54).

- Significant revenue revisions made to the 2003-04 budget were due to enrollment growth which increased Revenue Limit sources.
- Budgeted expenditures for one-time purposes increased by \$6.9 million due to carryover from 2002-03, and transfer of board designated reserves to budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had \$171.3 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 \$38.0 million, or 28 percent, from last year (Table 5).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land and construction in process	\$ 116.0	\$ 77.2	\$ -	\$ -	\$ 116.0	\$ 77.2
Buildings and improvements	48.1	47.8	-	-	48.1	47.8
Equipment	6.8	7.8	0.4	0.3	7.2	8.1
Totals	\$ 170.9	\$ 132.8	\$ 0.4	\$ 0.3	\$ 171.3	\$ 133.1

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

Various modernization and other District projects	\$ 7.0
Construction in progress - Saul Martinez Elementary School Expansion project	5.5
Purchase 5 new school buses	0.5
Construction in progress - K-12 Mega Site Growth Project (approximately)	25.2
	<u>\$ 38.2</u>

Several capital projects are planned for the 2004-05 year. We anticipate capital additions to be \$11.1 million for the 2004-05 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Long-Term Debt

At the end of this year, the District had \$20.6 million in bonds outstanding versus \$20.5 million last year, an increase of .5 percent. Our debt consisted of:

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General obligation bonds						
(Financed with property taxes)	\$ 20.6	\$ 20.5	\$ -	\$ -	\$ 20.6	\$ 20.5
Certificates of participation	19.0	15.7	-	-	19.0	15.7
Capitalized lease obligations	6.8	6.5	-	-	-	6.5
Other	4.4	3.2	-	-	4.4	3.2
Totals	\$ 50.8	\$ 45.9	\$ -	\$ -	\$ 44.0	\$ 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 \$20.6 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 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2003-04 ARE NOTED BELOW:

The District continued the \$90 million K-122 Mega Growth Site project. The Saul Martinez Elementary School Expansion project was near completion at fiscal year-end.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Unrestricted General Fund Revenue and Expenditure Assumptions

Revenue Assumptions

1. 2004-2005 Revenue Limit

◆ 2.41% COLA - Governor's May Revise, 2.14% Deficit	\$	4,853.45
◆ Base Revenue Limit per ADA Statutory (2003-04)	\$	4,830.52
COLA		117.00
Equalization		12.22
Deficit		(106.29)
◆ Revenue Limit ADA of 14,497, an increase of 490 ADA or 3.5% over 2003-04		
◆ Reserve for Revenue Limit Equalization		168,798

2. Other State Revenue

◆ Class Size Reduction K-3	4,082,436
◆ Lottery	1,568,990
◆ Instructional Time and Staff Development Reform Program	202,320

3. Other Local Revenue

◆ Interest	282,000
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4. Other Sources

◆ Contributions to Restricted Programs:	
Partnership Academies	(162,000)
Special Education Transportation	(490,054)
Special Education	(666,298)
Transportation	(2,412,638)
Restricted Maintenance - 3% of Unrestricted and Restricted General Fund	(3,418,000)

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

Expenditure Assumptions

1. Salaries and Benefits

- ◆ Added 14 teachers (613 Total) plus two for K-3 CSR
- ◆ Added 1 Special Day Class teachers and aides
- ◆ Added 1 Full Time Speech Therapist plus 1 special needs aide
- ◆ Added 2 bus drivers
- ◆ Added a net of 14 school administrative and support staff to continue the opening of Toro Canyon Middle and Desert Mirage High Schools
- ◆ Eliminate 9th Grade Class Size Reduction Program
- ◆ Fund CVHS Dean of Students 100% Unrestricted General Fund \$ 48,726
- ◆ Certificated SERP increased (10 additional retirees) 80,984
- ◆ Growth expenses 104,511
- ◆ Reclassification (Classified and Management) 5% of growth funding 73,163

2. Operating Expenses

<u>School Site allocations:</u>		<u>Staffing Ratio</u>	<u>Enrollment</u>	
◆ K-6 Students	\$ 50.00 per enrollment	25:1	8,976	
7-8 Students	\$ 75.00 per enrollment	27.5:1	2,291	
9-12 Students	\$ 100.00 per enrollment	27.5:1	3,852	
◆ Property and Liability Insurance increased by 49%				675,435
◆ Capital Lease Debt Service for new buses				157,000
◆ Utilities increased by 1.5%				

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, 2004

	Governmental	Business-Type	
Assets	Activities	Activities	Total
Deposits and investments	\$ 45,899,457	\$ 2,427,829	\$ 48,327,286
Receivables	13,412,415	1,069,611	14,482,026
Internal balances	357,597	(357,597)	-
Prepaid expenses	148,305	-	148,305
Stores inventories	109,807	166,915	276,722
Deferred charges	537,231	-	537,231
Capital assets			
Land and construction in process	115,992,900	-	115,992,900
Other capital assets	83,480,143	732,538	84,212,681
Less: Accumulated depreciation	(28,573,059)	(357,270)	(28,930,329)
Total Capital Assets	170,899,984	375,268	171,275,252
Total Assets	231,364,796	3,682,026	235,046,822
Liabilities			
Accounts payable	3,049,346	115,920	3,165,266
Accrued interest	480,918	-	480,918
Deferred revenue	1,004,199	-	1,004,199
Claims liability	350,000	-	350,000
Long-term liabilities			
Current portion of long-term obligations	3,107,002	-	3,107,002
Noncurrent portion of long-term obligations	47,735,931	-	47,735,931
Total Long-Term Liabilities	50,842,933	-	50,842,933
Total Liabilities	55,727,396	115,920	55,843,316
Net Assets			
Invested in capital assets, net of related debt	124,260,080	375,268	124,635,348
Restricted for:			
Debt service	891,858	-	891,858
Capital projects	29,965,327	-	29,965,327
Educational programs	3,417,904	-	3,417,904
Other activities	557,141	166,915	724,056
Unrestricted	16,545,090	3,023,923	19,569,013
Total Net Assets	\$ 175,637,400	\$ 3,566,106	\$ 179,203,506

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, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 74,408,652	\$ 206,292	\$ 24,603,561	\$ 8,256,491
Instruction-related activities:				
Supervision of instruction	1,836,469	15,788	628,033	-
Instructional library, media and technology	207,482	-	-	-
School site administration	14,620,890	778	7,509,653	-
Pupil services:				
Home-to-school transportation	5,846,757	115,343	2,928,102	-
Food services	98	-	-	-
All other pupil services	3,517,254	404,232	674,632	-
General administration:				
Data processing	1,060,795	-	566	-
All other general administration	4,957,345	90,017	1,597,355	-
Plant services	10,034,267	13,126	336,979	-
Facility acquisition and construction	2,441,881	-	-	-
Community services	119,583	31,548	58,833	-
Interest on long-term debt	1,880,820	-	-	-
Other outgo	12,636	5,917,072	618,456	-
Total Governmental-Type Activities	120,944,929	6,794,196	38,956,170	8,256,491
Business-Type Activities:				
Food services	7,006,290	1,217,800	6,490,609	-
Total Business-Type Activities	7,006,290	1,217,800	6,490,609	-
Total School District	\$ 127,951,219	\$ 8,011,996	\$ 45,446,779	\$ 8,256,491

General revenues and subventions:

Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Taxes levied for other specific purposes
 Federal and State aid not restricted to specific purposes
 Interest and investment earnings
 Miscellaneous

Subtotal, General Revenues

Excess (Deficiency) of Revenues Over Expenses

Net Assets - Beginning, Net of Restatement

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
\$ (41,342,308)	\$ -	\$ (41,342,308)
	-	-
(1,192,648)	-	(1,192,648)
(207,482)	-	(207,482)
(7,110,459)	-	(7,110,459)
(2,803,312)	-	(2,803,312)
(98)	-	(98)
(2,438,390)	-	(2,438,390)
(1,060,229)	-	(1,060,229)
(3,269,973)	-	(3,269,973)
(9,684,162)	-	(9,684,162)
(2,441,881)	-	(2,441,881)
(29,202)	-	(29,202)
(1,880,820)	-	(1,880,820)
6,522,892	-	6,522,892
(66,938,072)	-	(66,938,072)
-	702,119	702,119
-	702,119	702,119
(66,938,072)	702,119	(66,235,953)
13,289,779	-	13,289,779
965,189	-	965,189
751,076	-	751,076
62,754,258	-	62,754,258
1,014,833	12,685	1,027,518
3,858,487	-	3,858,487
82,633,622	12,685	82,646,307
15,695,550	714,804	16,410,354
159,941,850	2,851,302	162,793,152
\$ 175,637,400	\$ 3,566,106	\$ 179,203,506

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2004

	General Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 11,555,589	\$ 3,666,996	\$ 17,934,373
Receivables	12,975,910	96,820	74,123
Due from other funds	769,345	-	3,897,855
Prepaid expenses	-	-	148,305
Stores inventories	109,807	-	-
Total Assets	\$ 25,410,651	\$ 3,763,816	\$ 22,054,656
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	773,875	120,289	1,885,039
Due to other funds	552,072	3,643,527	-
Deferred revenue	930,899	-	-
Total Liabilities	2,256,846	3,763,816	1,885,039
FUND BALANCES			
Reserved for:			
Other reservations	3,547,711	-	148,305
Unreserved:			
Designated	17,949,036	-	-
Undesignated, reported in:			
General Fund	1,657,058	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	20,021,312
Total Fund Balance	23,153,805	-	20,169,617
Total Liabilities and Fund Balances	\$ 25,410,651	\$ 3,763,816	\$ 22,054,656

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

Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 10,358,299	\$ 1,709,113	\$ 45,224,370
3,211	260,756	13,410,820
-	552,072	5,219,272
-	-	148,305
-	-	109,807
<u>\$ 10,361,510</u>	<u>\$ 2,521,941</u>	<u>\$ 64,112,574</u>

210,482	59,661	3,049,346
254,328	411,748	4,861,675
-	73,300	1,004,199
<u>464,810</u>	<u>544,709</u>	<u>8,915,220</u>

-	-	3,696,016
-	-	17,949,036
-	-	1,657,058
-	557,141	557,141
-	1,372,776	1,372,776
9,896,700	47,315	29,965,327
<u>9,896,700</u>	<u>1,977,232</u>	<u>55,197,354</u>
<u>\$ 10,361,510</u>	<u>\$ 2,521,941</u>	<u>\$ 64,112,574</u>

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

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

JUNE 30, 2004

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

Total Fund Balance - Governmental Funds		\$ 55,197,354
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	\$ 199,473,043	
Accumulated depreciation is	<u>(28,573,059)</u>	
Total Capital Assets		170,899,984
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		537,231
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.		(480,918)
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:		326,682
Long-term liabilities at year end consist of:		
General obligation bonds	20,596,344	
Certificates of participation	19,000,000	
Unamortized premium	206,287	
Compensated absences	1,230,804	
Supplemental Early Retirement Plan	2,972,225	
Capital lease obligations	<u>6,837,273</u>	
Total Long-term Liabilities		(50,842,933)
Total Net Assets - Governmental Activities		\$ 175,637,400

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, 2004

	General Fund	Capital Facilities Fund
REVENUES		
Revenue limit sources	\$ 68,957,783	\$ -
Federal sources	20,632,719	-
Other state sources	25,656,444	-
Other local sources	965,571	6,517,221
Total Revenues	116,212,517	6,517,221
EXPENDITURES		
Current		
Instruction	69,871,219	-
Instruction-related activities:		
Supervision of instruction	1,642,817	-
Instructional library, media and technology	205,683	-
School site administration	13,836,500	-
Pupil services:		
Home-to-school transportation	5,704,875	-
Food services	96	-
All other pupil services	3,400,570	-
General administration:		
Data processing	1,048,765	-
All other general administration	5,610,786	-
Plant services	9,815,021	-
Facility acquisition and construction	2,943,462	1,583,138
Community services	118,991	-
Debt service		
Principal	919,872	-
Interest and other	69,083	-
Total Expenditures	115,187,740	1,583,138
Excess (Deficiency) of Revenues Over Expenditures	1,024,777	4,934,083
Other Financing Sources (Uses):		
Transfers in	13,779	-
Other sources	1,817,529	-
Transfers out	(2,104,407)	(4,934,083)
Other uses	(12,636)	-
Net Financing Sources (Uses)	(285,735)	(4,934,083)
NET CHANGE IN FUND BALANCES	739,042	-
Fund Balance - Beginning	22,414,763	-
Fund Balance - Ending	\$ 23,153,805	\$ -

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

County School Facilities Fund	Special Reserve Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 637,694	\$ 69,595,477
-	-	1,141,106	21,773,825
8,256,491	-	750,325	34,663,260
651,615	815,030	1,127,579	10,077,016
<u>8,908,106</u>	<u>815,030</u>	<u>3,656,704</u>	<u>136,109,578</u>
-	-	2,099,012	71,970,231
-	-	186,887	1,829,704
-	-	-	205,683
-	-	147,307	13,983,807
-	-	-	5,704,875
-	-	-	96
-	-	-	3,400,570
-	-	-	1,048,765
-	-	99,659	5,710,445
-	-	46,399	9,861,420
34,978,966	5,963,093	564,058	46,032,717
-	-	-	118,991
26,561	-	460,000	1,406,433
96,648	572,621	556,116	1,294,468
<u>35,102,175</u>	<u>6,535,714</u>	<u>4,159,438</u>	<u>162,568,205</u>
<u>(26,194,069)</u>	<u>(5,720,684)</u>	<u>(502,734)</u>	<u>(26,458,627)</u>
4,934,083	1,566,407	538,000	7,052,269
-	3,542,294	-	5,359,823
(1,132,107)	1,132,107	(13,779)	(7,052,269)
-	-	-	(12,636)
<u>3,801,976</u>	<u>6,240,808</u>	<u>524,221</u>	<u>5,347,187</u>
(22,392,093)	520,124	21,487	(21,111,440)
42,561,710	9,376,576	1,955,745	76,308,794
<u>\$ 20,169,617</u>	<u>\$ 9,896,700</u>	<u>\$ 1,977,232</u>	<u>\$ 55,197,354</u>

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, 2004

Total Net Change in Fund Balances - Governmental Funds \$ (21,111,440)

**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	\$ (2,651,943)	
Capital outlays	<u>44,315,455</u>	41,663,512

Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds. (23,940)

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. (1,267,985)

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (Supplemental Early Retirement Plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid was less than the amount added by \$565,883. Vacation used was less than the amounts earned by \$441,816. (1,007,699)

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 (3,500,000)

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	(42,294)	
Cost of issuance	<u>72,750</u>	
Combined adjustment		30,456

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, 2004

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	\$	460,000
Capital lease obligations		946,433

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

Amortization of debt premium	\$	5,857	
Amortization of cost of issuance		(16,589)	
Combined adjustment			(10,732)

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 increased by \$86,282, and second, \$489,338 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds/certificates of participation/special tax revenue bonds.

\$ (575,620)

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.

92,565

Change in Net Assets of Governmental Activities

\$ 15,695,550

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, 2004

	Business-Type Activities Enterprise Funds Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 2,427,829	\$ 675,087
Receivables	1,069,611	1,595
Stores inventories	166,915	-
Total Current Assets	3,664,355	676,682
Noncurrent Assets		
Capital assets	732,538	-
Less: accumulated depreciation	(357,270)	-
Total Noncurrent Assets	375,268	-
Total Assets	4,039,623	676,682
LIABILITIES		
Current Liabilities		
Accounts payable	115,920	-
Due to other funds	357,597	-
Claim liabilities	-	350,000
Total Current Liabilities	473,517	350,000
NET ASSETS		
Invested in capital assets, net of related debt	375,268	-
Unrestricted	3,190,838	326,682
Total Net Assets	\$ 3,566,106	\$ 326,682

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, 2004

	Business-Type Activities Enterprise Funds	Governmental Activities -
	Food	Internal
	Service	Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,141,454	\$ -
Charges to other funds and miscellaneous revenues	76,346	1,893,627
Total Operating Revenues	1,217,800	1,893,627
OPERATING EXPENSES		
Payroll costs	3,340,731	-
Professional and contract services	114,839	1,806,359
Supplies and materials	3,040,635	-
Facility rental	65,613	-
Other operating cost	400,808	-
Depreciation	43,664	-
Total Operating Expenses	7,006,290	1,806,359
Operating Income (Loss)	(5,788,490)	87,268
NONOPERATING REVENUES		
Interest income	12,685	5,297
Grants	6,490,609	-
Total Nonoperating Revenues	6,503,294	5,297
Change in Net Assets	714,804	92,565
Total Net Assets - Beginning	2,851,302	234,117
Total Net Assets - Ending	\$ 3,566,106	\$ 326,682

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, 2004

	Business-Type Activities Enterprise Funds Food Services	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 1,111,195	\$ 1,893,627
Cash payments to employees for services	(3,315,374)	-
Cash payments for insurance claims	-	(1,791,359)
Cash payments to suppliers for goods and services	(2,632,347)	-
Cash payments for facility use	(65,613)	-
Cash payments for other operating expenses	(396,649)	-
Net Cash Provided (Used) for Operating Activities	(5,298,788)	102,268
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	5,908,579	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(128,419)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(128,419)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	12,685	4,878
Net increase in cash and cash equivalents	494,057	107,146
Cash and cash equivalents - Beginning	1,933,772	567,941
Cash and cash equivalents - Ending	\$ 2,427,829	\$ 675,087
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	(5,788,490)	87,268
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	43,664	-
Commodities used	582,030	-
Loss on disposal of capitalized assets	4,159	-
Changes in assets and liabilities:		
Receivables	(106,605)	-
Inventories	(57,667)	-
Accrued liabilities	-	15,000
Due to other fund	25,357	-
Accounts Payable	(1,236)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (5,298,788)	\$ 102,268

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$582,030 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, 2004

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 526,223
Stores inventories	<u>5,045</u>
Total Assets	<u><u>\$ 531,268</u></u>
LIABILITIES	
Accounts payable	7,283
Due to student groups	<u>523,985</u>
Total Liabilities	<u><u>\$ 531,268</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. 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 14 to the financial statements. These organizations are:

Riverside Schools Insurance Authority (RSIA)

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

C. 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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.

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

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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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).

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:

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.

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).

D. 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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, are 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.

E. 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

F. Investments

Investments held at June 30, 2004, 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.

G. 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.

H. 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.

I. 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.

J. 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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

K. 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.

L. Compensated Absences

Accumulated unpaid 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 recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. 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.

M. 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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

N. 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.

O. 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.

P. 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.

Q. 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.

R. 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

S. 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.

T. 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.

U. New Accounting Pronouncement

For the fiscal year ended June 30, 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations Are Component Units", an amendment of GASB Statement No. 14. This statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

NOTE 2 - 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

B. Deposits

At year-end, the carrying amounts of the District's deposits were \$24,699 for governmental activities, \$926,070 for business activities, and \$526,223 held in fiduciary funds. The bank balances totaled \$2,129,783. Of the bank balances, \$100,000 was covered by Federal deposit insurance and \$2,029,783 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.

The investments at June 30, 2004, are as follows:

	Category *			Reported Amount	Fair Value
	1	2	3		
Categorized:					
First American					
Treasury Obligations	\$ -	\$ -	\$ 8,991,431	\$ 8,991,431	\$ 8,964,988
Money Market	-	-	1,501,759	1,501,759	1,501,759
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,493,190</u>	<u>\$ 10,493,190</u>	<u>\$ 10,466,747</u>
Uncategorized:					
Deposits with county treasurer				<u>\$ 36,883,327</u>	<u>\$ 36,723,614</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 3 - RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Capital Facilities	County School Facilities	Special Reserve Capital Outlay
Federal Government				
Categorical aid	\$ 5,847,807	\$ -	\$ -	\$ -
State Government				
Apportionment	4,214,718	-	-	-
Categorical aid	1,426,131	-	-	-
Lottery	851,173	-	-	-
Local Government				
Interest	65,149	8,603	49,884	3,211
Other Local Sources	570,932	88,217	24,239	-
Total	<u>\$ 12,975,910</u>	<u>\$ 96,820</u>	<u>\$ 74,123</u>	<u>\$ 3,211</u>

	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Total Business-Type Activities
Federal Government				
Categorical aid	\$ 178,400	\$ -	\$ 6,026,207	\$ 987,422
State Government				
Apportionment	52,122	-	4,266,840	-
Categorical aid	23,038	-	1,449,169	65,635
Lottery	-	-	851,173	-
Local Government				
Interest	1,742	1,595	130,184	1,022
Other Local Sources	5,454	-	688,842	15,532
Total	<u>\$ 260,756</u>	<u>\$ 1,595</u>	<u>\$ 13,412,415</u>	<u>\$ 1,069,611</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 9,042,642	\$ -	\$ -	\$ 9,042,642
Construction in process	68,169,390	40,172,160	1,391,292	106,950,258
Total Capital Assets Not Being Depreciated	77,212,032	40,172,160	1,391,292	115,992,900
Capital Assets Being Depreciated				
Land improvements	4,516,932	387,335	-	4,904,267
Buildings and improvements	63,929,959	1,532,710	-	65,462,669
Furniture and equipment	9,743,256	3,614,542	244,591	13,113,207
Total Capital Assets Being Depreciated	78,190,147	5,534,587	244,591	83,480,143
Less Accumulated Depreciation				
Land improvements	2,228,889	167,641	-	2,396,530
Buildings and improvements	18,377,414	1,490,841	-	19,868,255
Furniture and equipment	5,535,464	993,461	220,651	6,308,274
Total Accumulated Depreciation	26,141,767	2,651,943	220,651	28,573,059
Governmental Activities Capital Assets, Net	<u>\$ 129,260,412</u>	<u>\$ 43,054,804</u>	<u>\$ 1,415,232</u>	<u>\$ 170,899,984</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Furniture and equipment	619,948	128,419	15,829	732,538
Total Capital Assets Being Depreciated	619,948	128,419	15,829	732,538
Less Accumulated Depreciation				
Furniture and equipment	325,276	43,664	11,670	357,270
Total Accumulated Depreciation	325,276	43,664	11,670	357,270
Business-Type Activities Capital Assets, Net	<u>\$ 294,672</u>	<u>\$ 84,755</u>	<u>\$ 4,159</u>	<u>\$ 375,268</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

Governmental Activities

Instruction	\$ 2,386,749
Home-to-school transportation	79,558
All other pupil services	106,078
Plant services	79,558
Total Depreciation Expenses Governmental Activities	<u>2,651,943</u>

Business-Type Activities

Food services	43,664
Total Depreciation Expenses All Activities	<u>\$ 2,695,607</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances at June 30, 2004, between major and non-major governmental funds are as follows:

Due To	Due From					Total
	General	Capital Facilities	Special Reserve Capital Outlay	Non-Major Governmental	Cafeteria Enterprise	
General	\$ -	\$ -	\$ -	\$ 411,748	\$ 357,597	\$ 769,345
County School Facilities	-	3,643,527	254,328	-	-	3,897,855
Non-Major Governmental	552,072	-	-	-	-	552,072
Total	<u>\$ 552,072</u>	<u>\$ 3,643,527</u>	<u>\$ 254,328</u>	<u>\$ 411,748</u>	<u>\$ 357,597</u>	<u>\$ 5,219,272</u>

A balance of \$400,000 is due to the Deferred Maintenance Fund (Non-Major Governmental) from the General Fund for the required state match.

A balance of \$100,000 is due to the Child Development Fund (Non-Major Governmental) from the General Fund to cover program costs.

A balance of \$150,000 is due to the General Fund from the Adult Fund (Non-Major Governmental) for a temporary loan.

A balance of \$3,643,527 is due to the County School Facilities Fund from the Capital Facilities Fund for funds committed for school building projects.

The balance of \$254,328 is due to the County School Facilities Fund from the Special Reserve Capital Outlay Fund for funds committed for school building projects.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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.

B. Operating Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfer To	Due From			Total
	General	Capital Facilities	Non-Major Governmental	
General	\$ -	\$ -	\$ 13,779	\$ 13,779
County School Facilities	-	4,934,083	-	4,934,083
Special Reserve Capital Outlay	1,566,407	-	-	1,566,407
Non-Major Governmental	538,000	-	-	538,000
Total	<u>\$ 2,104,407</u>	<u>\$ 4,934,083</u>	<u>\$ 13,779</u>	<u>\$ 7,052,269</u>

The General Fund transferred to the Special Reserve Capital Outlay Fund for redevelopment pass-through funds received.

\$ 1,566,407

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

Deferred Maintenance Fund for the required match and District contribution.

\$ 400,000

Adult Education Fund for lottery apportionment.

38,000

Child Development Fund to cover program costs.

100,000

538,000

The Capital Facilities Fund transferred to the County School Facilities Fund for funds committed for school building projects.

4,934,083

The Child Development Fund (Non-Major Governmental) transferred to the General Fund to reimburse programs cost borrowed.

13,779

Total

\$ 7,052,269

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2004, consisted of the following:

	General	Capital Facilities	County School Facilities	Special Reserve Capital Outlay
Vendor payables	\$ 572,233	\$ -	\$ -	\$ -
State apportionment	48,141	-	-	-
Salaries and benefits	142,593	-	-	-
Construction	2,896	120,289	1,885,039	210,482
Claims liabilities	-	-	-	-
Other	8,012	-	-	-
Total	<u>\$ 773,875</u>	<u>\$ 120,289</u>	<u>\$ 1,885,039</u>	<u>\$ 210,482</u>

	Non-Major Governmental Funds	Total Governmental Activities	Total Business-Type Activities
Vendor payables	\$ 742	\$ 572,975	\$ 115,920
State apportionment	158	48,299	-
Salaries and benefits	-	142,593	-
Construction	53,033	2,271,739	-
Claims liabilities	-	-	-
Other	5,728	13,740	-
Total	<u>\$ 59,661</u>	<u>\$ 3,049,346</u>	<u>\$ 115,920</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2004, consists of the following:

	General	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 168,546	\$ -	\$ 168,546
State categorical aid	762,353	73,300	835,653
Total	<u>\$ 930,899</u>	<u>\$ 73,300</u>	<u>\$ 1,004,199</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 8 - 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, 2003	Additions	Deductions	Balance June 30, 2004	Due in One Year
General obligation bonds	\$ 20,567,006	\$ 489,338	\$ 460,000	\$ 20,596,344	\$ 530,000
Certificates of participation	15,500,000	3,500,000	-	19,000,000	655,000
Premium on issuance	169,850	42,294	5,857	206,287	-
Accumulated vacation - net	788,988	441,816	-	1,230,804	-
Supplemental Early Retirement Plan (SERP)	2,406,342	1,257,403	691,520	2,972,225	832,136
Capital leases	6,515,721	1,267,985	946,433	6,837,273	1,089,866
	<u>\$ 45,947,907</u>	<u>\$ 6,998,836</u>	<u>\$ 2,103,810</u>	<u>\$ 50,842,933</u>	<u>\$ 3,107,002</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	\$ 8,900,000	\$ -	\$ 260,000	\$ 8,640,000
1997, Series B	8/1/98	2023	3.70-5.28%	9,999,278	11,667,006	489,338	200,000	11,956,344
					<u>\$20,567,006</u>	<u>\$ 489,338</u>	<u>\$ 460,000</u>	<u>\$ 20,596,344</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, 2004, 1997 General Obligation Bonds, Series A, totaling \$8,640,000 were still outstanding.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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, 2004, 1997 General Obligation Bonds, Series B, totaling \$11,956,344 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
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	885,000	-	408,871	1,293,871
2010-2014	4,900,819	1,479,230	1,581,138	7,961,187
2015-2019	5,877,609	3,181,814	995,194	10,054,617
2020-2023	6,307,916	5,477,613	269,875	12,055,404
Total	<u>\$ 20,596,344</u>	<u>\$10,138,657</u>	<u>\$ 5,224,709</u>	<u>\$ 35,959,710</u>

C. 2003 Certificates of Participation (School Financing Project)

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, 2004

The certificates mature through 2031 as follows:

Year Ending June 30,	Principal	Interest	Total
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	625,000	607,516	1,232,516
2010-2014	3,095,000	2,690,158	5,785,158
2015-2019	1,265,000	2,290,106	3,555,106
2020-2024	1,745,000	1,966,863	3,711,863
2025-2029	3,640,000	1,305,000	4,945,000
2030-2031	3,255,000	259,125	3,514,125
Total	<u>\$ 15,500,000</u>	<u>\$ 11,714,801</u>	<u>\$ 27,214,801</u>

D. 2003 Certificates of Participation (East Coachella School Facilities Project)

In November 2003, the District, in conjunction with the Riverside County Schools Financing Corporation, issued \$3,500,000 in 2003 Certificates of Participation (East Coachella School Facilities Project), with interest rates ranging from 2.50 to 4.125 percent, to finance the construction of school facilities, to pay for delivery costs of the Certificates, and to fund a reserve fund for the Certificates. The 2003 Certificates have a maturity date of September 1, 2017. The District received net proceeds of \$3,469,544 (including a premium of \$42,294 and after payment of \$72,750 in underwriter fees, insurance, and other issuance costs). At June 30, 2004, 2003 Certificates of Participation (East Coachella School Facilities Project) totaling \$3,500,000 were still outstanding.

Year Ending June 30,	Principal	Interest	Total
2005	\$ 355,000	\$ 115,818	\$ 470,818
2006	175,000	109,411	284,411
2007	200,000	105,193	305,193
2008	225,000	100,130	325,130
2009	210,000	94,430	304,430
2010-2014	1,330,000	343,606	1,673,606
2015-2018	1,005,000	116,052	1,121,052
Total	<u>\$ 3,500,000</u>	<u>\$ 984,640</u>	<u>\$ 4,484,640</u>

E. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2004, amounted to \$1,230,804.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

F. 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 32 employees who retired after 1997, were purchased from American Fidelity Insurance Company.

Future annuity payments are as follows:

Year Ending June 30,	Total Payments
2005	\$ 832,136
2006	787,757
2007	647,345
2008	453,506
2009	251,481
Total	<u>\$ 2,972,225</u>

G. Capital Leases

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

Balance, July 1, 2003	\$ 9,736,615
Additions	1,361,994
Payments	1,015,516
Balance, June 30, 2004	<u>\$ 10,083,093</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2005	\$ 1,391,406
2006	1,391,406
2007	1,196,336
2008	1,054,586
2009	1,380,464
2010-2014	1,222,965
2015-2019	1,222,965
2020-2024	1,222,965
Total	10,083,093
Less: Amount Representing Interest	3,245,820
Present Value of Minimum Lease Payments	<u>\$ 6,837,273</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 9 - FUND BALANCES

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

	General	Capital Facilities	County School Facilities Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental	Total
Reserved						
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	109,807	-	-	-	-	109,807
Prepaid expenditures	-	-	148,305	-	-	148,305
Restricted programs	3,417,904	-	-	-	-	3,417,904
Total Reserved	3,547,711	-	148,305	-	-	3,696,016
Unreserved						
Designated						
Economic uncertainties	3,481,104	-	-	-	-	3,481,104
Other designation	14,467,932	-	-	-	-	14,467,932
Total Designated	17,949,036	-	-	-	-	17,949,036
Undesignated						
General Fund	1,657,058	-	-	-	-	1,657,058
Special reserve funds	-	-	-	-	557,141	557,141
Debt service funds	-	-	-	-	1,372,776	1,372,776
Capital project funds	-	-	20,021,312	9,896,700	47,315	29,965,327
Total Undesignated	1,657,058	-	20,021,312	9,896,700	1,977,232	33,552,302
Total Unreserved	19,606,094	-	20,021,312	9,896,700	1,977,232	51,501,338
Total	\$23,153,805	\$ -	\$20,169,617	\$ 9,896,700	\$ 1,977,232	\$ 55,197,354

NOTE 10 - 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, 56 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 \$267,178 were recognized for retirees' health care benefits.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 11 - 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, 2004, 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.

B. Workers' Compensation

For fiscal year 2004, 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 DSSIPE 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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, 2002, to June 30, 2004 (in thousands):

	Dental and Vision
Liability Balance, July 1, 2002	\$ 310,000
Claims and changes in estimates	1,663,360
Claims payments	(1,638,360)
Liability Balance, June 30, 2003	335,000
Claims and changes in estimates	1,821,359
Claims payments	(1,806,359)
Liability Balance, June 30, 2004	\$ 350,000
Assets available to pay claims at June 30, 2004	\$ 676,682

NOTE 12 - 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).

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 2003-2004 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, 2004, 2003, and 2002, were \$4,136,276, \$3,736,704, and \$3,164,882, respectively, and equal 100 percent of the required contributions for each year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 2003-2004 was 10.42 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2004, 2003, and 2002, were \$1,986,650, \$514,464, and \$-0-, respectively, and equal 100 percent of the required contributions for each year.

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 \$76,313, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$76,313, which was 3.75 percent of the covered payroll.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 \$1,143,114 (2.28 percent of salaries subject to STRS). No contributions were made to PERS for the year ended June 30, 2004. 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 13 - 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, 2004.

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, 2004.

Year Ending June 30,	Lease Payment
2005	\$ 10,200
2006	10,200
2007	10,200
2008	10,200
2009	10,200
2010-2011	20,400
Total	<u>\$ 71,400</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

D. Construction Commitments

As of June 30, 2004, 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	\$ 10,823,594	02/01/05
West Coachella New Site	400,000	12/01/04
Peter Pendleton Modernization	317,000	12/01/04
Westside Modernization	404,000	12/01/04
Sea Veiw/West Shores Modernization	166,000	12/01/04
John Kelley Modernization	50,000	12/01/04
	<u>\$ 12,160,594</u>	

NOTE 14 - 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

A. <u>Entity</u>	RSIA	DSSIPE
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.
E. <u>Condensed Audited Financial Information Follows</u>		
Assets	June 30, 2003* \$ 5,813,163	June 30, 2003* \$ 4,479,563
Liabilities	3,989,601	2,533,638
Fund Equity	\$ 1,823,562	\$ 1,945,925
Revenues	5,214,391	385,266
Expenses	(4,903,031)	(2,351,846)
Distributions	(828,870)	-
Net Decrease in Fund Equity	\$ (517,510)	\$ (1,966,580)
F. <u>Payments for the Current Year</u>	\$ 415,269	\$ 2,026,375

None of the JPA's had long-term debts outstanding at June 30, 2003. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The beginning balance of net assets invested in capital assets, net of related debt as recorded on the Statement of Net Assets, has been adjusted. The reason for the adjustment was to properly reflect the balance in the furniture and equipment account. The effect on the June 30, 2004, net assets was a decrease of \$3,549,947.

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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, 2004

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 65,471,748	\$ 67,918,036	\$ 68,957,783	\$ 1,039,747
Federal sources	17,249,165	24,147,179	20,632,719	(3,514,460)
Other state sources	17,104,070	21,521,618	25,656,444	4,134,826
Other local sources	6,466,298	7,694,932	965,571	(6,729,361)
Total Revenues	<u>106,291,281</u>	<u>121,281,765</u>	<u>116,212,517</u>	<u>(5,069,248)</u>
EXPENDITURES				
Current				
Instruction	65,661,375	78,173,802	69,871,219	8,302,583
Instruction-related activities:				
Supervision of instruction	1,619,774	1,607,549	1,642,817	(35,268)
Instructional library, media, and technology	211,561	212,231	205,683	6,548
School site administration	10,800,588	14,817,657	13,836,500	981,157
Pupil services:				
Home-to-school transportation	6,054,821	6,119,068	5,704,875	414,193
Food services	-	164	96	68
All other pupil services	3,488,418	3,866,566	3,400,570	465,996
General administration:				
Data processing	969,309	1,277,002	1,048,765	228,237
All other general administration	5,554,425	7,794,497	5,610,786	2,183,711
Plant services	9,241,713	10,099,192	9,815,021	284,171
Facility acquisition and construction	1,627,696	4,189,795	2,943,462	1,246,333
Community services	136,307	132,773	118,991	13,782
Other outgo	22,500	22,759	-	22,759
Debt service				
Principal	689,626	919,872	919,872	-
Interest	188,868	69,083	69,083	-
Total Expenditures	<u>106,266,981</u>	<u>129,302,010</u>	<u>115,187,740</u>	<u>14,114,270</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,300</u>	<u>(8,020,245)</u>	<u>1,024,777</u>	<u>9,045,022</u>
Other Financing Sources (Uses):				
Transfers in	-	-	13,779	13,779
Other sources	-	-	1,817,529	1,817,529
Transfers out	(1,635,978)	(2,158,219)	(2,104,407)	53,812
Other uses	-	-	(12,636)	(12,636)
Net Financing Sources (Uses)	<u>(1,635,978)</u>	<u>(2,158,219)</u>	<u>(285,735)</u>	<u>1,872,484</u>
NET CHANGE IN FUND BALANCES	<u>(1,611,678)</u>	<u>(10,178,464)</u>	<u>739,042</u>	<u>10,917,506</u>
Fund Balance - Beginning	<u>22,414,763</u>	<u>22,414,763</u>	<u>22,414,763</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 20,803,085</u>	<u>\$ 12,236,299</u>	<u>\$ 23,153,805</u>	<u>\$10,917,506</u>

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, 2004

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	N/A	\$ 143,153
Title VII - Bilingual Education - Comprehensive School Grants	84.290U	N/A	578,736
21st Century - After School Learning Centers	84.287B	N/A	74,196
Title IX - Indian Education	84.060A	N/A	5,980
Impact Aid	84.041	N/A	681,827
Passed through California Department of Education (CDE):			
Adult Education Grants			
Citizenship	84.002	13974	20,025
Secondary	84.002	13978	18,450
English Literacy and Civics Education	84.002	14109	211,467
Improving America's Schools Act (IASA)			
Title I - Basic [1]	84.010	13064	6,406,828
Title I - Part B, Reading First [1]	84.357A	14328	2,293,812
Title I - Program Improvement	84.348A	14106	242,910
Title II - Eisenhower Math and Science	84.281	03207	25,904
Title II - Part A, Improving Teacher Quality	84.367	14341	1,264,183
Title II - Part D, Education Technology Literacy Challenge	84.318	04334	348,257
Title III - Education Technology Literacy Challenge	84.318X	03285	8,345
Title III - Immigrant Education Program [1]	84.365A	14346	120,162
Title III - Limited English Proficiency [1]	84.365A	10084	857,825
Title IV - Drug-Free Schools	84.184	03453	195,780
Title VI - Innovative Strategies	84.298	03340	127,246
Title VIII, Reading Excellence Act	84.338A	04155	496,415
21st Century - Community Learning Centers	84.287	14349	1,132,734
Vocational Educational Grant			
Applied Technology- Secondary Education	84.048	03577	145,425
Advanced Placement Fee Payment Incentive	84.330	03917	18,544

[1] Tested as a major program.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2004

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 Riverside County Office of Education:			
Individuals with Disabilities Education Act (IDEA)			
Federal Preschool	84.173A	03430	\$ 36,216
Local Assistance	84.027A	03379	1,366,113
Preschool Local Assistance	84.027A	03682	53,426
Local Staff Development	84.027A	03613	3,395
Project Workability	84.027A	03705	6,816
Title I - Migrant Education [1]	84.011	03628	833,272
Title I - Even Start Migrant Education	84.214	10030	74,973
Total U.S. Department of Education			<u>17,792,415</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Especially Needy Breakfast [1]	10.553	03526	829,584
Basic Breakfast [1]	10.553	03525	128,853
Food Distribution	10.550	03389	582,030
National School Lunch Program [1]	10.555	03524	4,192,507
Child and Adult Care Food Program	10.558	03665	314,558
Meals Supplement [1]	10.555	03755	77,653
Total U.S. Department of Agriculture			<u>6,125,185</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medi-Cal Billing Option	93.778	10013	154,572
Medical Administrative Activities Program	93.778	10060	60,729
Passed through Riverside County Office of Education:			
Headstart	93.600	10016	2,874,946
Passed through CDE:			
Child Care Center Based	93.596	13609	249,215
Passed through Coachella Valley Housing Coalition:			
Child Care Center Based	93.596	13609	636,171
Passed through CDE:			
Playground Equipment	93.575	14136	2,285
Infant and Toddler Playground Safety	93.575	13942	3,493
Total U.S. Department of Health and Human Services			<u>3,981,411</u>
Total Expenditures of Federal Awards			<u>\$ 27,899,011</u>

[1] Tested as a major program.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2004

		Second Period ADA		
		Amended	Amended	Increase/
		2003-2004	2002-2003	(Decrease)
		Annual		
ELEMENTARY				
Kindergarten	1,130	1,120	1,083	37
First through third	3,680	3,661	3,529	132
Fourth through sixth	3,392	3,375	3,212	163
Seventh and eighth	2,138	2,162	1,987	175
Home and hospital	3	2	1	1
Special education	215	207	234	(27)
Total Elementary	10,558	10,527	10,046	481
SECONDARY				
Regular classes	3,170	3,176	2,932	244
Continuation education	106	111	117	(6)
Home and hospital	4	3	3	-
Special education	194	190	173	17
Total Secondary	3,474	3,480	3,225	255
Total K-12	14,032	14,007	13,271	736
CLASSES FOR ADULTS				
Concurrently enrolled	15	15	18	(3)
Not concurrently enrolled	348	385	272	113
Total Classes for Adults	363	400	290	110
Grand Total	14,395	14,407	13,561	846
SUMMER SCHOOL				
Elementary		167,241	321,304	(154,063)
High School		186,312	171,945	14,367
Total Hours		353,553	493,249	(139,696)

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2004

Grade Level	1982-83	1986-87	2003-04	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	36,000	37,680	180	-	Complied
Grades 1 - 3	48,560	50,400	56,085	180	-	Complied [1]
Grades 4 - 6	58,730	54,000	56,085	180	-	Complied [1]
Grades 7 - 8	58,730	54,000	60,537	180	-	Complied [1]
Grades 9 - 12	58,730	64,800	65,132	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, 2004

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

	General	County School Facilities	Special Reserve Capital Outlay	Deferred Maintenance	Self-Insurance
FUND BALANCE					
Balance, June 30, 2004,					
Unaudited Actuals	\$22,297,720	\$ 18,739,018	\$ 9,329,871	\$ 578,750	\$ 349,269
Increase in:					
Accounts receivable	343,264	-	-	-	-
Accounts payable	-	(612,116)	(209,057)	(27,576)	-
Due to other funds	-	-	(254,328)	-	-
Deferred revenue	(100,000)	-	-	-	-
Decrease in:					
Cash with fiscal agent	-	-	(101,893)	-	(22,587)
Due to other funds	-	-	1,132,107	-	-
Due from other funds	-	(1,132,107)	-	-	-
Deferred revenue	612,821	3,174,822	-	-	-
Balance, June 30, 2004,					
Audited Financial Statement	<u>\$23,153,805</u>	<u>\$ 20,169,617</u>	<u>\$ 9,896,700</u>	<u>\$ 551,174</u>	<u>\$ 326,682</u>

See accompanying note to supplementary information.

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

	(Budget) 2005 ¹	2004	2003	2002
GENERAL FUND				
Revenues	\$ 116,781,641	\$ 116,212,517	\$ 108,078,661	\$ 100,893,057
Other sources	-	1,831,308	3,680,922	-
Total Revenues and Other Sources	116,781,641	118,043,825	111,759,583	100,893,057
Expenditures	115,367,863	115,187,740	108,479,074	92,739,171
Other uses and transfers out	1,983,443	2,117,043	1,736,608	1,254,804
Total Expenditures and Other Uses	117,351,306	117,304,783	110,215,682	93,993,975
INCREASE (DECREASE) IN FUND BALANCE	\$ (569,665)	\$ 739,042	\$ 1,543,901	\$ 6,899,082
ENDING FUND BALANCE	\$ 22,584,140	\$ 23,153,805	\$ 22,414,763	\$ 20,870,862
AVAILABLE RESERVES ²	\$ 4,321,022	\$ 5,138,162	\$ 5,264,588	\$ 3,964,493
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.68%	4.38%	4.78%	4.22%
LONG-TERM DEBT	N/A	\$ 50,842,933	\$ 45,947,907	\$ 32,326,592
AVERAGE DAILY ATTENDANCE AT P-2 ³	14,664	14,007	13,271	12,585

The General Fund balance has increased by \$2,282,943 over the past two years. The fiscal year 2004-05 budget projects a decrease of \$569,665 (2.5 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 2004-05 fiscal year. Total long-term debt has increased by \$18,516,341 over the past two years.

Average daily attendance has increased by 1,422 over the past two years. Additional growth of 657 ADA is anticipated during fiscal year 2004-05.

¹ Budget 2005 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, 2004

	Adult Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 30,841	\$ 55,308	\$ 203,017
Receivables	174,539	84,877	1,190
Due from other funds	43,376	108,696	400,000
Total Assets	\$ 248,756	\$ 248,881	\$ 604,207
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	158	6,470	53,033
Due to other funds	244,367	167,375	-
Deferred revenue	-	73,300	-
Total Liabilities	244,525	247,145	53,033
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	4,231	1,736	551,174
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	4,231	1,736	551,174
Total Liabilities and Fund Balances	\$ 248,756	\$ 248,881	\$ 604,207

See accompanying note to supplementary information.

Building Fund	State School Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 47,167	\$ 4	\$ 1,372,776	\$ 1,709,113
148	2	-	260,756
-	-	-	552,072
<u>\$ 47,315</u>	<u>\$ 6</u>	<u>\$ 1,372,776</u>	<u>\$ 2,521,941</u>
-	-	-	59,661
-	6	-	411,748
-	-	-	73,300
<u>-</u>	<u>6</u>	<u>-</u>	<u>544,709</u>
-	-	-	557,141
-	-	1,372,776	1,372,776
47,315	-	-	47,315
<u>47,315</u>	<u>-</u>	<u>1,372,776</u>	<u>1,977,232</u>
<u>\$ 47,315</u>	<u>\$ 6</u>	<u>\$ 1,372,776</u>	<u>\$ 2,521,941</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

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

JUNE 30, 2004

	Adult Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 637,694	\$ -	\$ -
Federal sources	249,942	891,164	-
Other state sources	-	581,062	161,157
Other local sources	73,859	23,008	5,572
Total Revenues	961,495	1,495,234	166,729
EXPENDITURES			
Current			
Instruction	746,848	1,352,164	-
Instruction-related activities:			
Supervision of instruction	79,530	107,357	-
School site administration	120,155	27,152	-
General administration:			
All other general administration	39,473	60,186	-
Plant services	13,361	33,038	-
Facility acquisition and construction	-	-	564,058
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	999,367	1,579,897	564,058
Excess (Deficiency) of			
Revenues Over Expenditures	(37,872)	(84,663)	(397,329)
Other Financing Sources (Uses):			
Transfers in	38,000	100,000	400,000
Transfers out	-	(13,779)	-
Net Financing			
Sources (Uses)	38,000	86,221	400,000
NET CHANGE IN FUND BALANCES	128	1,558	2,671
Fund Balance - Beginning	4,103	178	548,503
Fund Balance - Ending	\$ 4,231	\$ 1,736	\$ 551,174

See accompanying note to supplementary information.

Building Fund	State School Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 637,694
-	-	-	1,141,106
-	-	8,106	750,325
47,315	-	977,825	1,127,579
<u>47,315</u>	<u>-</u>	<u>985,931</u>	<u>3,656,704</u>
-	-	-	2,099,012
-	-	-	186,887
-	-	-	147,307
-	-	-	99,659
-	-	-	46,399
-	-	-	564,058
-	-	460,000	460,000
-	-	556,116	556,116
-	-	<u>1,016,116</u>	<u>4,159,438</u>
<u>47,315</u>	<u>-</u>	<u>(30,185)</u>	<u>(502,734)</u>
-	-	-	538,000
-	-	-	(13,779)
-	-	-	524,221
<u>47,315</u>	<u>-</u>	<u>(30,185)</u>	<u>21,487</u>
-	-	1,402,961	1,955,745
<u>\$ 47,315</u>	<u>\$ -</u>	<u>\$ 1,372,776</u>	<u>\$ 1,977,232</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, 2004

(Dollar amounts in thousands,
except for per ADA)

	Actual Results for the Years					
	2003-2004		2002-2003		2001-2002	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 20,633	17.8	\$ 16,232	15.0	\$ 10,578	10.5
State and local revenue included in revenue limit	68,958	59.3	65,209	60.3	61,489	60.9
Other state revenue	25,656	22.1	19,090	17.7	21,013	20.9
Other local revenue	965	0.8	3,544	3.3	3,919	3.9
Tuition and transfers in	-	-	4,004	3.7	3,894	3.8
Total Revenues	116,212	100.0	108,079	100.0	100,893	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	49,775	42.8	45,302	41.9	41,375	41.0
Classified salaries	18,221	15.7	17,617	16.3	15,814	15.7
Employee benefits	21,084	18.1	17,733	16.4	15,179	15.0
Total Salaries and Benefits	89,080	76.6	80,652	74.6	72,368	71.7
Books and supplies	10,753	9.2	12,634	11.7	7,587	7.5
Contracts and operating expenses	9,864	8.5	8,347	7.7	7,069	7.0
Capital outlay	3,671	3.2	3,432	3.2	4,424	4.4
Other outgo	1,819	1.6	3,414	3.2	1,290	1.2
Total Expenditures	115,187	99.1	108,479	100.4	92,738	91.8
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,025	0.9	(400)	(0.4)	8,155	8.2
OTHER FINANCING SOURCES (USES)						
Net transfers	(286)	(0.2)	1,944	1.8	(1,255)	(1.3)
INCREASE IN FUND BALANCE	739	0.7	1,544	1.4	6,900	6.9
FUND BALANCE, BEGINNING	22,415		20,871		13,858	
RESIDUAL EQUITY TRANSFER	-		-		113	
FUND BALANCE, ENDING	\$ 23,154		\$ 22,415		\$ 20,871	

* * * * *

BASE REVENUE LIMIT PER ADA

Regular K-12	\$ 4,831	\$ 4,743	\$ 4,650
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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, 2004

(Dollar amounts in thousands)

	Actual Results for the Years					
	2003-2004		2002-2003		2001-2002	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 6,125	79.3	\$ 5,680	79.6	\$ 4,857	79.5
State meal program	365	4.7	341	4.8	298	4.9
Food sales	1,141	14.8	1,038	14.5	860	14.1
Other	90	1.2	114	1.1	94	1.5
Total Revenues	7,721	100.0	7,173	100.0	6,109	100.0
EXPENDITURES						
Salaries and employee benefits	3,340	43.3	2,903	40.7	2,647	43.3
Food	2,323	30.1	2,715	38.0	1,828	29.9
Supplies	136	1.7	195	2.7	18	0.3
Other	1,207	15.6	173	2.4	877	14.4
Total Expenditures	7,006	90.7	5,986	83.8	5,370	87.9
INCREASE IN FUND BALANCE	715	9.3	1,187	16.2	739	12.1
FUND BALANCE, BEGINNING	2,851		1,664		925	
FUND BALANCE, ENDING	\$ 3,566		\$ 2,851		\$ 1,664	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2003-2004		2002-2003		2001-2002	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	118,792	5.8	116,047	6.1	129,466	7.7
Reduced price	185,966	9.1	158,227	8.3	161,928	9.6
Free	1,732,392	85.1	1,631,998	85.6	1,393,154	82.7
Total Lunches	2,037,150	100.0	1,906,272	100.0	1,684,548	100.0
BREAKFAST						
Paid	24,121	3.4	19,935	3.2	22,380	4.1
Reduced price	38,825	5.4	29,454	4.8	29,979	5.6
Free	652,685	91.2	569,062	92.0	484,800	90.3
Total Breakfast	715,631	100.0	618,451	100.0	537,159	100.0

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2004

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, 2004

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

Governing Board
Coachella Valley Unified School District
Thermal, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Coachella Valley Unified School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion 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 2004-1.

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. We also 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 October 22, 2004.

Compliance and Other Matters

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*.

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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2004



**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, 2004. 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, 2004. 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 item 2004-2.

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.

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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2004



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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, 2004, and have issued our report thereon dated October 22, 2004. 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	6	Yes
Kindergarten continuance	3	Yes
Independent study	22	No, See Below
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional time and staff development reform program	7	Yes
Instructional time:		
School districts	4	Yes
County Offices of Education	3	Not Applicable
Community day schools	9	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Class size reduction program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Yes
District or Charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	9	Yes
K-8 Only	1	Yes
9-12 Only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	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 this area.

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.

Vasinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 22, 2004

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, 2004

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - Basic</u>
<u>84.357A</u>	<u>Title I - Part B, Reading First</u>
<u>84.011</u>	<u>Title I - Migrant Education</u>
<u>84.365A</u>	<u>Title III - English Language Acquisition Grants</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 836,970</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, 2004

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

PERSONNEL

2004-1 30000

Finding

An approved "Request for Certificated Substitute" form for one long-term substitute could not be located for audit. We could not determine conclusively whether or not the substitute was in place because a new position was created or whether the substitute was filling in for an absent teacher.

Recommendation

Approved "Request for Certificated Substitute" forms should be kept on file at the District in order to document that the long-term substitution was approved through the appropriate channels. This is an important part of the position control monitoring for budget purposes.

District Response

Agree with the finding and recommendation. As part of an internal control review for the position control process, the District's financial consultants are addressing this issue among others. A detailed procedures manual will be completed as part of the review and will include the process of approval for long term substitutes.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

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

2004-2 50000

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 consistently being followed by the Title I - Reading First, Title I - Migrant Education, and Title III departments who administer this Federally funded program. Employees who are charged fully to this Federal program are not preparing semi-annual certification 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 following programs: Title I - Reading First, Title I - Migrant Education.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

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, 2004

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

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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2004

Federal Award Findings

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.

Current Status

Not implemented. See current year finding 2004-2.



October 22, 2004

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, 2004, 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 October 22, 2004, on the financial statements of Coachella Valley Unified School District.

ATTENDANCE

La Familia High School Continuation

Finding

The system calculates carryback hours based on 275 minutes of instructional time and 5 minutes of passing time; the total of 280 minutes. According to the bell schedule, it should be calculating based on 275 minutes of instructional time and 10 minutes of passing time; the total of 285 minutes. As a result, each student could carryback an extra 5 minutes per day or 0.42 hours per week.

Recommendation

The bell schedule for the Continuation Education Program must be input into the attendance system on an annual basis. Since passing time is counted towards instructional minutes, this component to the bell schedule is essential and must be a part of the input process.

The system should be corrected to reflect 10 minutes of passing time as reported in the bell schedule, and Monthly Summaries and Reports should be revised to claim additional ADA.

Adult Attendance

Finding

During our audit of the adult education attendance system, we noted the following issues: 1) 7 out of 10 independent study agreements examined did not list the required beginning and/or ending dates that the agreement was supposed to cover. 2) A parent signature was not obtained for the independent study agreement of one student who was under the age of 18 when she entered the independent study program. 3) 1 out of 10 student files examined did not contain any work samples supporting the attendance credited to the student for the period examined.

Recommendation

We recommend the following:

- 1) All independent study agreements should list the duration of the agreement, with explicit documentation of the beginning and ending dates of the time period covered.
- 2) Each independent study agreements should be signed prior to the start of the agreement by the pupil, the pupil's parent, caregiver or legal guardian (if the pupil is under 18 years of age), and the certificated employee who was designated as having responsibility for the general supervision of the independent study.
- 3) Work samples that relate to the student assignments and reflect curriculum adopted by the governing board should be kept on file for all students that earn attendance credit through independent study.

ASSOCIATED STUDENT BODY (ASB)

REVENUE POTENTIALS

John Kelley School, West Shores High School, Toro Canyon Middle School

Finding

Revenue potential forms are not being used to document and control fundraising activities as they occur. These 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

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising 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. 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 allows calculation of the net profit of the sale. Further, fundraisers of this type can be planned or canceled depending on the information calculated in this section.

John Kelley School

Finding

A master ticket log is not being used by the sites to account for all tickets on hand and used during the year. In addition, a ticket sales recap form is not prepared which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Finding

The minutes of the Student Council meetings are not complete as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education. The council does not approve fundraising events in minutes.

Recommendation

The Department of Education's manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fundraising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion.

West Shores High School

Finding

Out of five receipts tested, three were over 35 days old.

Recommendation

To ensure safeguard of cash collections and to strengthen internal controls over cash collections, the site should transmit it to the District on a regular basis (the District recommends at least twice a month).

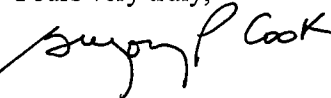
Finding

Out of five disbursements tested, three PO's were dated after the invoice date that suggests that they were not pre-approved by the student council.

Recommendation

The Department of Education's manual suggests the student council must approve expenditures before they are made to ensure that it is an allowable expenditure and that funds are available to cover that expenditure. The decision of the student council should be forwarded to the ASB adviser and the bookkeeper to verify the availability of funds.

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

Yours very truly,


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

GPC/la