

**COACHELLA VALLEY  
UNIFIED SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2005**

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**  
**OF RIVERSIDE COUNTY**  
**THERMAL, CALIFORNIA**  
**JUNE 30, 2005**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Anna Rodriguez	President	2008
Mr. Michael Wells	Clerk	2006
Mrs. Marguerite Freeman	Member	2006
Mrs. Gloria Maldonado	Member	2006
Mr. Joe Murillo	Member	2008
Mr. Victor Manuel Perez	Member	2008
Mrs. Maria E. Rios	Member	2008

**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

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2005

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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 (the "District") as of and for the year ended June 30, 2005, 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 2004-05*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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 opinions.

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, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District, as of June 30, 2005, 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 November 4, 2005, 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 conjunction with this report in considering the results of our audit.

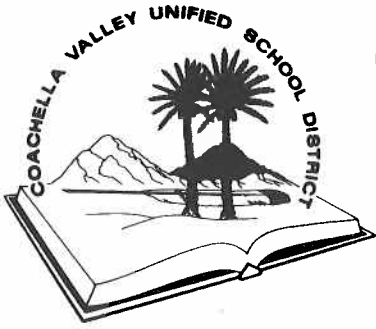
The required supplementary information, such as management's discussion and analysis on pages 4 through 14 and budgetary comparison information on page 57, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted 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 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.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds, General Fund Selected Financial Information, and Cafeteria Account Selected Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavim K, Trine, Day & Co., LLP

Rancho Cucamonga, California  
November 4, 2005



# 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, 2005. 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 No. 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, 2005

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### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Completed construction of Desert Mirage High School, thus providing new state-of-the-art educational facilities for over 2,573 students K-10 grades.
- Passed a General Obligation Bond on June 7, 2005, in the amount of \$250,000,000.
- Began Modernization of Valle Del Sol Elementary School. Completed modernization of four Elementary Schools:
  - 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
- Opened escrow on a 79 acre future K-12 School Site in East Coachella (Avenue 56 and Fillmore St.).
- Collected \$15.8 million in developer fees that were used for portable classrooms, restrooms, and other growth related school site projects.

### 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.

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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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**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.

**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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$196.7 million for the fiscal year ended June 30, 2005. Of this amount, \$24.2 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.

**Table 1**

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 50.5	\$ 60.5	\$ 4.0	\$ 3.3	\$ 54.5	\$ 63.8
Capital assets	199.5	170.9	0.6	0.3	200.1	171.2
<b>Total Assets</b>	<b>250.0</b>	<b>231.4</b>	<b>4.6</b>	<b>3.6</b>	<b>254.6</b>	<b>235.0</b>
Current liabilities	10.6	5.0	0.2	0.1	10.8	5.1
Long-term debt	47.1	50.8	-	-	47.1	50.8
<b>Total Liabilities</b>	<b>57.7</b>	<b>55.8</b>	<b>0.2</b>	<b>0.1</b>	<b>57.9</b>	<b>55.9</b>
Net assets						
Invested in capital assets, net of related debt	151.6	124.2	-	0.3	151.6	124.5
Restricted	20.9	34.9	-	0.1	20.9	35.0
Unrestricted	19.8	16.5	4.4	3.1	24.2	19.6
<b>Total Net Assets</b>	<b>\$ 192.3</b>	<b>\$ 175.6</b>	<b>\$ 4.4</b>	<b>\$ 3.5</b>	<b>\$ 196.7</b>	<b>\$ 179.1</b>

The \$19.8 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 \$19.8 million left. We will need to closely monitor our expenditures in the future and adhere strictly to the budget to increase this \$19.8 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 16. 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, 2005

**Table 2**

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 16.4	\$ 7.8	\$ 1.3	\$ 1.1	\$ 17.7	\$ 8.9
Operating grants and contributions	19.9	44.6	7.1	6.4	27.0	51.0
Capital grants and contributions	1.1	5.1	-	-	1.1	5.1
General revenues:						
State revenue limit sources	74.8	76.0	-	-	74.8	76.0
Property taxes	10.2	1.7	-	-	10.2	1.7
Other general revenues	29.5	1.3	-	0.2	29.5	1.5
<b>Total Revenues</b>	<b>151.9</b>	<b>136.5</b>	<b>8.4</b>	<b>7.7</b>	<b>160.3</b>	<b>144.2</b>
<b>Expenses</b>						
Instruction-related	100.9	91.0	-	-	100.9	91.0
Student support services	10.9	9.4	7.6	7.0	18.5	16.4
Administration	7.9	6.0	-	-	7.9	6.0
Plant services	11.2	12.4	-	-	11.2	12.4
Other	4.3	2.0	-	-	4.3	2.0
<b>Total Expenses</b>	<b>135.2</b>	<b>120.8</b>	<b>7.6</b>	<b>7.0</b>	<b>142.8</b>	<b>127.8</b>
<b>Change in Net Assets</b>	<b>\$ 16.7</b>	<b>\$ 15.7</b>	<b>\$ 0.8</b>	<b>\$ 0.7</b>	<b>\$ 17.5</b>	<b>\$ 16.4</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$135.2 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$10.0 million because the cost was paid by those who benefited from the programs (\$16.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$19.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$10.0 million in taxes, \$80.1 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, 2005**

**Table 3**

(Amounts in millions)

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction	\$ 80.8	\$ 74.4	\$ 76.4	\$ 44.5
Instruction-related activities	20.1	16.6	9.7	8.5
Home-to-school transportation	6.8	5.8	3.4	2.8
Other pupil services	4.0	3.6	2.9	(4.2)
General administration	7.9	6.0	6.1	4.3
Plant services	11.2	10.0	10.9	9.7
Facility acquisition and construction	2.0	2.4	2.0	2.4
Community services	0.1	0.1	-	-
Interest on long-term debt	2.2	1.9	2.2	1.9
Other	0.1	0.1	(15.7)	(6.5)
<b>Totals</b>	<b>\$ 135.2</b>	<b>\$ 120.9</b>	<b>\$ 97.9</b>	<b>\$ 63.4</b>

The District projected a decrease in net assets of approximately \$17.5 million. Although revenues were \$2.3 million less than expected, expenditures were \$12.3 million less than originally projected. Approximately \$4.4 million of the decrease in revenue is from the restricted Federal grants which are expenditure driven; therefore, there is a corresponding \$4.4 million decrease in expenditures.

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$42.5 million, which is a decrease of \$12.7 million from last year.

**Table 4**

(Amounts in millions)

	Fund Balance	
	June 30, 2005	June 30, 2004
General	\$ 25.5	\$ 23.1
County School Facilities Fund	10.9	20.2
Special Reserve-Capital Fund	3.9	9.9
Deferred Maintenance	0.6	0.5
Debt Service	1.4	1.4
Other Non-Major Funds	0.2	0.1
<b>Totals</b>	<b>\$ 42.5</b>	<b>\$ 55.2</b>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2005**

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The primary reasons for these increases/decreases are:

- a. The increase of \$2.4 million in the General Fund is due to: 1) Increased enrollment, 2) Increase in State revenues.
- b. The decrease of \$9.3 million in the County School Facilities Fund is due to: 1) 90% completion of new schools.
- c. The decrease of \$6 million in the Special Reserve Fund is due to: 1) Reduction of Certificates of Participation for the purpose of schools construction.

### 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 23, 2005 (see page 57).

- Significant revenue revisions made to the 2004-05 budget were due to enrollment growth which increased Revenue Limit sources and increased revenue from Federal sources.
- Budgeted expenditures for one-time purposes increased by \$6 million due to carryover from 2003-04, and transfer of board designated reserves to budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had \$200.1 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 \$28.8 million, or 17 percent, from last year (Table 5).

**Table 5**

(Amounts in millions)	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land and construction in process	\$ 28.6	\$ 116.0	\$ -	\$ -	\$ 28.6	\$ 116.0
Buildings and improvements	164.9	48.1	0.3	-	165.2	48.1
Equipment	6.0	6.8	0.3	0.4	6.3	7.2
<b>Totals</b>	<b>\$ 199.5</b>	<b>\$ 170.9</b>	<b>\$ 0.6</b>	<b>\$ 0.4</b>	<b>\$ 200.1</b>	<b>\$ 171.3</b>

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

District infrastructure improvements (various sites)	\$ 0.3
Capital outlay	0.4
Building improvements (various school sites)	13.9
New construction in progress	14.2

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

### 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	
	2005	2004	2005	2004	2005	2004
General obligation bonds						
(Financed with property taxes)	\$ 20.6	\$ 20.6	\$ -	\$ -	\$ 20.6	\$ 20.6
Certificates of participation	18.5	19.0	-	-	18.5	19.0
Capitalized lease obligations	5.6	6.8	-	-	-	6.8
Other	5.5	4.4	-	-	5.5	4.4
<b>Totals</b>	<b>\$ 50.2</b>	<b>\$ 50.8</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44.6</b>	<b>\$ 50.8</b>

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 2004-05 ARE NOTED BELOW:

Achieved a total student growth of 5.6% (798 students) thereby increasing State and increasing the instructional force by more than 40 new teachers.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

#### Revenue Assumptions

1. 2005-2006 Revenue Limit

◆ 4.23% COLA, 1.132% Deficit		
◆ Base Revenue Limit per ADA Statutory	\$	4,959.91
COLA	\$	211.00
Equalization	\$	-
	\$	5,170.91
Deficit	\$	(58.53)
		\$ 5,112.38
◆ Revenue Limit ADA of 15,301, an increase of 590 ADA or 4% over 2004-05		

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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### Expenditure Assumptions

#### 1. Salaries & Benefits

◆ State Teachers Retirement Increase:	58.91/ADA	\$ 901,265
◆ Workers' Compensation Increase:	20%	\$ 345,665
◆ Health & Welfare Increase:	22.51%	\$ 1,622,657
Health & Welfare Increase Unfunded	531,275	
◆ Certificated SERP increase (15 additional retirees):		\$ 473,586
◆ Certificated Retirees Health & Welfare Increase:		\$ 206,327
◆ Classified Retirees Health & Welfare Increase:		\$ 189,294

#### Growth Positions

◆ Added 27 teachers (655 Total to open school)	
◆ Counselor (1, 2005-06, 1, 2004-05)	District (1), DMHS/TC (1)
◆ Coordinator - Special Education	SED Program
◆ Psychologist - Special Education	SED Program
◆ Assistant Principal	Desert Mirage HS
◆ Athletic Director	Desert Mirage HS
◆ Athletic Department Secretary	Desert Mirage HS
◆ Assistant Principal's Secretary	Desert Mirage HS
◆ Custodian I (1)	DSHS/TC
◆ Custodian/Maintenance III	DSHS/TC
◆ Custodian I	M & O
◆ Campus Security	Desert Mirage HS
◆ Office Assistant II	Alternative Ed.
◆ Teacher, Special Education (5)	SED (3), SDC (2)
◆ Counselor (At Risk)	District
◆ Instructional Aide (6)	SED (4), SDC (2)
◆ Bus Drivers (3)	
◆ Gardener (2)	DSHS/TC
◆ Upgrade Office Assistant	SV/WR

#### 2. Operating Expenses

◆ Property & Liability Insurance increase:	10%	\$ 65,137
◆ Custodial Supplies increase:	5%	
◆ Utilities increased by 0%	0%	

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2005**

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### **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](mailto:careyc@coachella.k12.ca.us).

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# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Deposits and investments	\$ 36,027,954	\$ 2,983,046	\$ 39,011,000
Receivables	13,131,570	1,261,317	14,392,887
Internal balances	545,689	(545,689)	-
Prepaid expenses	185,000	-	185,000
Stores inventories	107,965	287,141	395,106
Deferred charges	506,936	-	506,936
Capital assets			
Land and construction in process	28,573,336	-	28,573,336
Other capital assets	203,096,365	1,018,844	204,115,209
Less: Accumulated depreciation	(32,167,394)	(389,637)	(32,557,031)
Total Capital Assets	199,502,307	629,207	200,131,514
<b>Total Assets</b>	<b>250,007,421</b>	<b>4,615,022</b>	<b>254,622,443</b>
<b>LIABILITIES</b>			
Accounts payable	4,849,807	202,345	5,052,152
Interest payable	475,697	-	475,697
Deferred revenue	1,788,163	-	1,788,163
Claim liabilities	400,150	-	400,150
Long-term liabilities			
Current portion of long-term obligations	3,095,139	-	3,095,139
Noncurrent portion of long-term obligations	47,070,927	-	47,070,927
Total Long-Term Liabilities	50,166,066	-	50,166,066
<b>Total Liabilities</b>	<b>57,679,883</b>	<b>202,345</b>	<b>57,882,228</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	151,584,296	629,207	152,213,503
Restricted for:			
Debt service	1,407,963	-	1,407,963
Capital projects	14,692,987	-	14,692,987
Educational programs	4,210,243	-	4,210,243
Other activities	672,263	-	672,263
Unrestricted	19,759,786	3,783,470	23,543,256
<b>Total Net Assets</b>	<b>\$ 192,327,538</b>	<b>\$ 4,412,677</b>	<b>\$ 196,740,215</b>

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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 80,790,148	\$ 580,675	\$ 26,873,616	\$ 1,077,311
Instruction-related activities:				
Supervision of instruction	1,879,007	68,342	685,389	-
Instructional library, media and technology	212,372	-	-	-
School site administration	18,023,504	93,721	9,615,094	-
Pupil services:				
Home-to-school transportation	6,800,713	174,931	3,263,914	-
All other pupil services	4,042,388	438,494	675,847	-
General administration:				
Data processing	1,283,028	-	-	-
All other general administration	6,636,600	92,407	1,709,805	-
Plant services	11,233,666	21,122	316,806	-
Facility acquisition and construction	1,955,429	-	-	-
Community services	52,578	11,386	41,190	-
Interest on long-term debt	2,236,981	-	-	-
Other outgo	13,446	14,884,277	866,759	-
<b>Total Governmental-Type Activities</b>	<b>135,159,860</b>	<b>16,365,355</b>	<b>44,048,420</b>	<b>1,077,311</b>
<b>Business-Type Activities:</b>				
Food services	7,633,814	1,329,344	7,123,906	-
<b>Total Business-Type Activities</b>	<b>7,633,814</b>	<b>1,329,344</b>	<b>7,123,906</b>	<b>-</b>
<b>Total School District</b>	<b>\$ 142,793,674</b>	<b>\$ 17,694,699</b>	<b>\$ 51,172,326</b>	<b>\$ 1,077,311</b>

### 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  
 Transfers between agencies  
 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
\$ (52,258,546)	\$ -	\$ (52,258,546)
(1,125,276)	-	(1,125,276)
(212,372)	-	(212,372)
(8,314,689)	-	(8,314,689)
(3,361,868)	-	(3,361,868)
(2,928,047)	-	(2,928,047)
(1,283,028)	-	(1,283,028)
(4,834,388)	-	(4,834,388)
(10,895,738)	-	(10,895,738)
(1,955,429)	-	(1,955,429)
(2)	-	(2)
(2,236,981)	-	(2,236,981)
15,737,590	-	15,737,590
(73,668,774)	-	(73,668,774)
-	819,436	819,436
-	819,436	819,436
(73,668,774)	819,436	(72,849,338)
9,112,457	-	9,112,457
1,073,900	-	1,073,900
222	-	222
74,823,346	-	74,823,346
762,828	27,135	789,963
59,577	-	59,577
4,526,582	-	4,526,582
90,358,912	27,135	90,386,047
16,690,138	846,571	17,536,709
175,637,400	3,566,106	179,203,506
\$ 192,327,538	\$ 4,412,677	\$ 196,740,215

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2005

	General Fund	Capital Facilities Fund	County School Facilities Fund
<b>ASSETS</b>			
Deposits and investments	\$ 16,046,818	\$ 11,607,421	\$ 1,481,851
Receivables	12,481,641	167,497	241,890
Due from other funds	800,100	-	11,846,197
Prepaid expenses	-	-	185,000
Stores inventories	107,965	-	-
<b>Total Assets</b>	<u>\$ 29,436,524</u>	<u>\$ 11,774,918</u>	<u>\$ 13,754,938</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	1,974,123	41,201	2,808,919
Due to other funds	150,222	11,733,717	-
Deferred revenue	1,788,163	-	-
<b>Total Liabilities</b>	<u>3,912,508</u>	<u>11,774,918</u>	<u>2,808,919</u>
<b>FUND BALANCES</b>			
Reserved for:			
Other reservations	4,338,208	-	185,000
Unreserved:			
Designated	18,727,509	-	-
Undesignated, reported in:			
General Fund	2,458,299	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	10,761,019
<b>Total Fund Balance</b>	<u>25,524,016</u>	<u>-</u>	<u>10,946,019</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 29,436,524</u>	<u>\$ 11,774,918</u>	<u>\$ 13,754,938</u>

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

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Non-Major Governmental Funds	Total Governmental Funds
\$ 6,018,477	\$ 35,154,567
235,950	13,126,978
150,222	12,796,519
-	185,000
-	107,965
<u>\$ 6,404,649</u>	<u>\$ 61,371,029</u>
25,564	4,849,807
366,891	12,250,830
-	1,788,163
<u>392,455</u>	<u>18,888,800</u>
-	4,523,208
-	18,727,509
-	2,458,299
672,263	672,263
1,407,963	1,407,963
3,931,968	14,692,987
<u>6,012,194</u>	<u>42,482,229</u>
<u>\$ 6,404,649</u>	<u>\$ 61,371,029</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, 2005**

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 42,482,229</b>
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	\$ 231,669,701	
Accumulated depreciation is	<u>(32,167,394)</u>	
Net Capital Assets		199,502,307
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		506,936
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.		(475,697)
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:		477,829
Long-term liabilities at year end consist of:		
General obligation bonds	20,583,392	
Certificates of participation	18,345,000	
Unamortized premium on certificates of participation	193,712	
Capital lease obligations	5,491,421	
Compensated absences	1,537,295	
Supplemental Early Retirement Plan	<u>4,015,246</u>	
Total Long-Term Liabilities		(50,166,066)
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 192,327,538</u></b>

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, 2005

	General Fund	Capital Facilities Fund
<b>REVENUES</b>		
Revenue limit sources	\$ 75,485,386	\$ -
Federal sources	24,618,784	-
Other State sources	22,849,184	-
Other local sources	8,207,501	15,868,270
<b>Total Revenues</b>	<b>131,160,855</b>	<b>15,868,270</b>
<b>EXPENDITURES</b>		
Current		
Instruction	75,436,354	-
Instruction-related activities:		
Supervision of instruction	1,673,453	-
Instructional library, media and technology	211,351	-
School site administration	16,793,058	-
Pupil services:		
Home-to-school transportation	6,633,970	-
All other pupil services	3,854,968	-
General administration:		
Data processing	1,278,773	-
All other general administration	6,551,345	-
Plant services	11,024,343	-
Facility acquisition and construction	1,597,422	1,799,553
Community services	52,578	-
Debt service		
Principal	1,239,075	-
Interest and other	113,270	-
<b>Total Expenditures</b>	<b>126,459,960</b>	<b>1,799,553</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,700,895</b>	<b>14,068,717</b>
<b>Other Financing Sources (Uses):</b>		
Transfers in	35,183	-
Transfers out	(2,352,421)	(14,068,717)
Other uses	(13,446)	-
<b>Net Financing Sources (Uses)</b>	<b>(2,330,684)</b>	<b>(14,068,717)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,370,211</b>	<b>-</b>
<b>Fund Balance - Beginning</b>	<b>23,153,805</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 25,524,016</b>	<b>\$ -</b>

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



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<b>County School Facilities Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 672,575	\$ 76,157,961
-	1,090,045	25,708,829
851,291	858,568	24,559,043
231,022	1,599,355	25,906,148
<u>1,082,313</u>	<u>4,220,543</u>	<u>152,331,981</u>
-	1,851,306	77,287,660
-	202,112	1,875,565
-	-	211,351
-	149,776	16,942,834
-	-	6,633,970
-	-	3,854,968
-	-	1,278,773
-	86,575	6,637,920
-	34,756	11,059,099
23,981,370	7,582,311	34,960,656
-	-	52,578
106,777	1,185,000	2,530,852
286,481	1,307,683	1,707,434
<u>24,374,628</u>	<u>12,399,519</u>	<u>165,033,660</u>
<u>(23,292,315)</u>	<u>(8,178,976)</u>	<u>(12,701,679)</u>
14,068,717	2,352,421	16,456,321
-	(35,183)	(16,456,321)
-	-	(13,446)
<u>14,068,717</u>	<u>2,317,238</u>	<u>(13,446)</u>
(9,223,598)	(5,861,738)	(12,715,125)
20,169,617	11,873,932	55,197,354
<u>\$ 10,946,019</u>	<u>\$ 6,012,194</u>	<u>\$ 42,482,229</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, 2005

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Total Net Change in Fund Balances - Governmental Funds \$ (12,715,125)

**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 statement of activities.

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

Capital outlays	\$ 33,006,186	
Depreciation expense	<u>(3,909,178)</u>	
Net Expense Adjustment		29,097,008

Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds. (494,685)

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 \$1,043,021.

Vacation used was less than the amounts earned by \$306,491. (1,349,512)

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	530,000
Certificates of participation	655,000
Capital lease obligations	1,345,852

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	12,575	
Amortization of cost of issuance	<u>(30,295)</u>	
Combined Adjustment		(17,720)

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, 2005

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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 \$5,221, and second, \$517,048 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds/certificates of participation/special tax revenue bonds.

\$ (511,827)

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.

151,147

**Change in Net Assets of Governmental Activities**

\$ 16,690,138

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, 2005

	Business-Type Activities Enterprise Funds	Governmental Activities -
	Food Service	Internal Service Fund
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 2,983,046	\$ 873,387
Receivables	1,261,317	4,592
Stores inventories	287,141	-
<b>Total Current Assets</b>	<b>4,531,504</b>	<b>877,979</b>
<b>Noncurrent Assets</b>		
Capital assets	1,018,844	-
Less: accumulated depreciation	(389,637)	-
<b>Total Noncurrent Assets</b>	<b>629,207</b>	<b>-</b>
<b>Total Assets</b>	<b>5,160,711</b>	<b>877,979</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	202,345	-
Due to other funds	545,689	-
Claim liabilities	-	400,150
<b>Total Current Liabilities</b>	<b>748,034</b>	<b>400,150</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	629,207	-
Unrestricted	3,783,470	477,829
<b>Total Net Assets</b>	<b>\$ 4,412,677</b>	<b>\$ 477,829</b>

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, 2005

	Business-Type Activities Enterprise Funds	Governmental Activities -
	Food Service	Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for services	\$ 1,243,159	\$ -
Charges to other funds and miscellaneous revenues	86,185	2,076,755
<b>Total Operating Revenues</b>	<b>1,329,344</b>	<b>2,076,755</b>
<b>OPERATING EXPENSES</b>		
Payroll costs	3,879,161	-
Professional and contract services	61,479	1,938,310
Supplies and materials	3,158,122	-
Facility rental	72,505	-
Other operating cost	410,962	-
Depreciation	51,585	-
<b>Total Operating Expenses</b>	<b>7,633,814</b>	<b>1,938,310</b>
<b>Operating Income (Loss)</b>	<b>(6,304,470)</b>	<b>138,445</b>
<b>NONOPERATING REVENUES</b>		
Interest income	27,135	12,702
Grants	7,123,906	-
<b>Total Nonoperating Revenues</b>	<b>7,151,041</b>	<b>12,702</b>
<b>Change in Net Assets</b>	<b>846,571</b>	<b>151,147</b>
<b>Total Net Assets - Beginning</b>	<b>3,566,106</b>	<b>326,682</b>
<b>Total Net Assets - Ending</b>	<b>\$ 4,412,677</b>	<b>\$ 477,829</b>

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

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS JUNE 30, 2005

	Business-Type Activities Enterprise Funds Food Services	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from user charges	\$ 1,146,317	\$ 2,073,758
Cash payments to employees for services	(3,691,069)	-
Cash payments for insurance claims	-	(1,888,160)
Cash payments to suppliers for goods and services	(2,604,856)	-
Cash payments for facility use	(72,505)	-
Cash payments for other operating expenses	(410,962)	-
Net Cash Provided (Used) by Operating Activities	(5,633,075)	185,598
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating grants received	6,475,360	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(314,203)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	27,135	12,702
Net Increase in Cash and Cash Equivalents	555,217	198,300
Cash and Cash Equivalents - Beginning	2,427,829	675,087
Cash and Cash Equivalents - Ending	\$ 2,983,046	\$ 873,387
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	(6,304,470)	138,445
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	51,585	-
Commodities used	648,546	-
Loss on disposal of capitalized assets	8,679	-
Changes in assets and liabilities:		
Receivables	(191,706)	(2,997)
Inventories	(120,226)	-
Accrued liabilities	-	50,150
Due to other fund	188,092	-
Accounts Payable	86,425	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ (5,633,075)	\$ 185,598

### NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$648,546 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

JUNE 30, 2005

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 607,917
<b>Total Assets</b>	<u>\$ 607,917</u>
 <b>LIABILITIES</b>	
Accounts payable	27,650
Due to student groups	580,267
<b>Total Liabilities</b>	<u>\$ 607,917</u>

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

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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, eight K-6 schools, one 4-8 school, one 7-8 school, two K-8 schools, one 7-12 high school, 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.

#### 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.

#### Other Related Entities

**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. These organizations are:

Riverside Schools Insurance Authority (RSIA)

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

#### 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

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**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).

### 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.

**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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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**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 fund:

**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 Dental and Vision self-insurance programs that are accounted for in an internal service fund.

**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).

### Basis of Accounting - Measurement Focus

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

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

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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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.

**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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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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. Principal and interest on 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.

### 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.

### Investments

Investments held at June 30, 2005, 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.

### 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.

### Stores Inventories

Inventories consist of expendable food and supplies held for consumption. 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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### 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. 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 in the government-wide financial statement of net assets. 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 capital assets of governmental funds.

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.

### 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.

### 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.

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.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary 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 and special termination benefits, 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, certificates of participation and capital leases are recognized as liabilities in the governmental fund financial statements when due.

### **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, prepaid expenditures, 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.

### **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. The District has related debt outstanding as of June 30, 2005. 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 first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Enabling legislation relates to laws passed that create a revenue source to be used for specific purposes. The government-wide financial statements report net assets restricted by enabling legislation of \$20,983,456.

### **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.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **Interfund Activity**

Transfers between governmental and business-type activities in 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.

### **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.

### **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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### **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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures an Amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

### New Accounting Pronouncements

In November 2003, GASB issued GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year.

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.



# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

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This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 36,027,954
Business-type activities	2,983,046
Fiduciary funds	607,917
Total Deposits and Investments	<u>\$ 39,618,917</u>

Deposits and investments as of June 30, 2005, consists of the following:

Cash on hand and in banks	\$ 3,656,661
Cash in revolving	21,440
Investments	35,940,816
Total Deposits and Investments	<u>\$ 39,618,917</u>

#### Policies and Practices

The District is authorized under California Government Code 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.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date	
Money Market Mutual Funds	\$ 3,116,594	N/A	
County Pool	32,667,294	274	*
Total	<u>\$ 35,783,888</u>		

\* Weighted average days to maturity

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA	
Money Market Mutual Funds	\$ 3,116,594	AAA	\$ 3,116,594	*
County Pool	32,667,294	**	32,667,294	*
Total	<u>\$ 35,783,888</u>		<u>\$ 35,783,888</u>	

\* Rate from Fitch Ratings

\*\* Not required to be rated

### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. The District did not have investments in any one issuer that represent five percent (5%) or more of the total investments.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2005, the District's bank balance of \$2,875,302 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
Federal Government				
Categorical aid	\$ 4,073,200	\$ -	\$ -	\$ 116,294
State Government				
Apportionment	5,176,823	-	-	43,785
Categorical aid	789,229	-	-	67,985
Lottery	1,071,678	-	-	-
Local Government				
Interest	186,247	82,019	32,303	7,886
SELPA	419,701	-	-	-
Other Local Sources	764,763	85,478	209,587	-
Total	<u>\$ 12,481,641</u>	<u>\$ 167,497</u>	<u>\$ 241,890</u>	<u>\$ 235,950</u>

	Internal Service Fund	Total Governmental Activities	Total Business-Type Activities
Federal Government			
Categorical aid	\$ -	\$ 4,189,494	\$ 1,166,111
State Government			
Apportionment	-	5,220,608	-
Categorical aid	-	857,214	88,272
Lottery	-	1,071,678	-
Local Government			
Interest	4,592	313,047	-
SELPA	-	419,701	-
Other Local Sources	-	1,059,828	6,934
Total	<u>\$ 4,592</u>	<u>\$ 13,131,570</u>	<u>\$ 1,261,317</u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 9,042,642	\$ 29,966	\$ -	\$ 9,072,608
Construction in process	106,950,258	31,488,622	118,938,152	19,500,728
Total Capital Assets Not Being Depreciated	115,992,900	31,518,588	118,938,152	28,573,336
Capital Assets Being Depreciated				
Land improvements	4,904,267	998,055	-	5,902,322
Buildings and improvements	65,462,669	119,013,222	606,352	183,869,539
Furniture and equipment	13,113,207	414,473	203,176	13,324,504
Total Capital Assets Being Depreciated	83,480,143	120,425,750	809,528	203,096,365
Less Accumulated Depreciation				
Land improvements	2,396,530	141,243	-	2,537,773
Buildings and improvements	19,868,255	2,680,729	180,162	22,368,822
Furniture and equipment	6,308,274	1,087,206	134,681	7,260,799
Total Accumulated Depreciation	28,573,059	3,909,178	314,843	32,167,394
Governmental Activities Capital Assets, Net	<u>\$ 170,899,984</u>	<u>\$ 148,035,160</u>	<u>\$ 119,432,837</u>	<u>\$ 199,502,307</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Buildings and improvements	-	295,000	-	295,000
Furniture and equipment	732,538	19,203	27,897	723,844
Total Capital Assets Being Depreciated	732,538	314,203	27,897	1,018,844
Less Accumulated Depreciation				
Buildings and improvements	-	5,900	-	5,900
Furniture and equipment	357,270	45,685	19,218	383,737
Total Accumulated Depreciation	357,270	51,585	19,218	389,637
Business-Type Activities Capital Assets, Net	<u>\$ 375,268</u>	<u>\$ 262,618</u>	<u>\$ 8,679</u>	<u>\$ 629,207</u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

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

### Governmental Activities

Instruction	\$ 3,518,261
Home-to-school transportation	117,275
All other pupil services	156,367
Plant services	117,275
Total Depreciation Expenses Governmental Activities	<u>3,909,178</u>

### Business-Type Activities

Food services	51,585
Total Depreciation Expenses All Activities	<u>\$ 3,960,763</u>

## NOTE 5 - INTERFUND TRANSACTIONS

### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Cafeteria Enterprise Fund	
General Fund	\$ -	\$ -	\$ 254,411	\$ 545,689	\$ 800,100
County School Facilities Fund	-	11,733,717	112,480	-	11,846,197
Non-Major Governmental Funds	150,222	-	-	-	150,222
Total	<u>\$ 150,222</u>	<u>\$ 11,733,717</u>	<u>\$ 366,891</u>	<u>\$ 545,689</u>	<u>\$ 12,796,519</u>

A balance of \$150,000 is due to the Deferred Maintenance (Non-Major Governmental) Fund from the General Fund for the State match.

A balance of \$70,000 is due to the General Fund from the Child Development (Non-Major Governmental) Fund for a temporary loan.

A balance of \$11,733,717 is due to the County School Facilities Fund from the Capital Facilities Fund for funds committed for school building projects.

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

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfer To	Due From			Total
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 35,183	\$ 35,183
County School Facilities Fund	-	14,068,717	-	14,068,717
Non-Major Governmental Funds	2,352,421	-	-	2,352,421
Total	<u>\$ 2,352,421</u>	<u>\$ 14,068,717</u>	<u>\$ 35,183</u>	<u>\$ 16,456,321</u>

The General Fund transferred to the following Non-Major Governmental Funds:

Deferred Maintenance Fund for the required match and District contribution.

\$ 550,000

Adult Education Fund for lottery apportionment.

39,600

Special Reserve Capital Outlay Fund for redevelopment pass-through funds received.

1,762,821

\$ 2,352,421

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

14,068,717

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

35,183

Total

\$ 16,456,321



# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Fiduciary Funds	Total Business-Type Activities
Vendor payables	\$ 316,330	\$ -	\$ -	\$ 5,566	\$ -	\$ 202,345
State apportionment	110,047	-	-	-	-	-
Salaries and benefits	57,395	-	-	-	-	-
Construction	327,241	17,090	2,808,919	-	-	-
Services	558,533	24,111	-	19,998	-	-
Other	604,577	-	-	-	27,650	-
Total	<u>\$ 1,974,123</u>	<u>\$ 41,201</u>	<u>\$ 2,808,919</u>	<u>\$ 25,564</u>	<u>\$ 27,650</u>	<u>\$ 202,345</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2005, consists of the following:

	General Fund
Federal financial assistance	\$ 455,872
State categorical aid	1,332,291
Total	<u>\$ 1,788,163</u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### NOTE 8 - LONG-TERM LIABILITIES

#### Long-Term Debt Summary

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General obligation bonds	\$ 20,596,344	\$ 517,048	\$ 530,000	\$ 20,583,392	\$ 615,000
Certificates of participation	19,000,000	-	655,000	18,345,000	675,000
Premium on issuance	206,287	-	12,575	193,712	-
Capital leases	6,837,273	-	1,345,852	5,491,421	875,510
Accumulated vacation - net	1,230,804	306,491	-	1,537,295	-
Supplemental Early Retirement Plan (SERP)	2,972,225	1,904,875	861,854	4,015,246	929,629
	<u>\$ 50,842,933</u>	<u>\$ 2,728,414</u>	<u>\$ 3,405,281</u>	<u>\$ 50,166,066</u>	<u>\$ 3,095,139</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. Payments for capital leases will be paid by the fund for which the lease was entered into. The accrued vacation will be paid by the fund for which the employee worked.

#### 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	\$ 8,640,000	\$ -	\$ 270,000	\$ 8,370,000
1997, Series B	8/1/98	2023	3.70-5.28%	9,999,278	11,956,344	517,048	260,000	12,213,392
					<u>\$ 20,596,344</u>	<u>\$ 517,048</u>	<u>\$ 530,000</u>	<u>\$ 20,583,392</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, 2005, 1997 General Obligation Bonds, Series A, totaling \$8,370,000 were still outstanding.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

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### **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, 2005, 1997 General Obligation Bonds, Series B, totaling \$12,213,392 were still outstanding.

### **Debt Service Requirements to Maturity**

The 1997 bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
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	1,193,777	29,655	365,716	1,589,148
2011-2015	5,002,554	1,722,703	1,465,641	8,190,898
2016-2020	6,275,683	3,429,129	860,601	10,565,413
2021-2024	5,131,378	4,440,121	154,250	9,725,749
Total	<u>\$ 20,583,392</u>	<u>\$ 9,621,608</u>	<u>\$ 4,690,498</u>	<u>\$ 34,895,498</u>

### **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. At June 30, 2005, 2003 Certificates of Participation (School Financing Project) totaling \$15,200,000 were still outstanding.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

The certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
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	675,000	588,123	1,263,123
2011-2015	2,620,000	2,580,248	5,200,248
2016-2020	1,280,000	2,234,256	3,514,256
2021-2025	2,110,000	1,874,750	3,984,750
2026-2030	4,020,000	1,113,500	5,133,500
2031-2032	2,295,000	120,376	2,415,376
Total	<u>\$ 15,200,000</u>	<u>\$ 11,048,879</u>	<u>\$ 26,248,879</u>

### 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, 2005, 2003 Certificates of Participation (East Coachella School Facilities Project) totaling \$3,145,000 were still outstanding.

Year Ending June 30,	Principal	Interest	Total
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	225,000	88,027	313,027
2011-2015	1,190,000	295,334	1,485,334
2016-2018	920,000	76,298	996,298
Total	<u>\$ 3,145,000</u>	<u>\$ 868,823</u>	<u>\$ 4,013,823</u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### Capital Leases

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

Balance, July 1, 2004	\$ 10,083,093
Payments	1,743,315
Balance, June 30, 2005	<u>\$ 8,339,778</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2006	\$ 1,039,300
2007	1,189,336
2008	1,054,586
2009	402,452
2010	244,953
2011-2015	1,224,764
2016-2020	1,224,764
2021-2025	1,224,764
2026-2028	734,859
Total	<u>8,339,778</u>
Less: Amount Representing Interest	2,848,357
Present Value of Minimum Lease Payments	<u>\$ 5,491,421</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$1,537,295.

### 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 45 employees who retired after 1997, were purchased from American Fidelity Insurance Company.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

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Future annuity payments are as follows:

Year Ending June 30,	Total Payments
2006	\$ 1,168,732
2007	1,028,320
2008	834,481
2009	632,456
2010	351,257
Total	<u>\$ 4,015,246</u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### NOTE 9 - FUND BALANCES

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	107,965	-	-	-	107,965
Prepaid expenditures	-	-	185,000	-	185,000
Restricted programs	4,210,243	-	-	-	4,210,243
Total Reserved	4,338,208	-	185,000	-	4,523,208
<b>Unreserved</b>					
Designated					
Economic uncertainties	3,791,920	-	-	-	3,791,920
K-12 Education Park	577,995	-	-	-	577,995
Future Schools	2,986,139	-	-	-	2,986,139
Lottery	1,896,566	-	-	-	1,896,566
Emergency Services	500,000	-	-	-	500,000
Textbook Adoption	2,052,622	-	-	-	2,052,622
School Site Carryover	564,354	-	-	-	564,354
One Time Expense Carryover	3,576,648	-	-	-	3,576,648
Compensated Absence Liability	250,000	-	-	-	250,000
Facilities and Infrastructure Improvements	2,531,265	-	-	-	2,531,265
Total Designated	18,727,509	-	-	-	18,727,509
Undesignated					
General Fund	2,458,299	-	-	-	2,458,299
Special reserve funds	-	-	-	672,263	672,263
Debt service funds	-	-	-	1,407,963	1,407,963
Capital project funds	-	-	10,761,019	3,931,968	14,692,987
Total Undesignated	2,458,299	-	10,761,019	6,012,194	19,231,512
Total Unreserved	21,185,808	-	10,761,019	6,012,194	37,959,021
Total	\$ 25,524,016	\$ -	\$ 10,946,019	\$ 6,012,194	\$ 42,482,229

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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### NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2005, the following District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Special Reserve Capital Outlay	<u>\$ 2,421,238</u>	<u>\$ 7,852,161</u>	<u>\$ 5,430,923</u>

### NOTE 11 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 77 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 retiree's premiums are paid. During the year, expenditures of \$368,339 were recognized for retirees' health care benefits.

### NOTE 12 - RISK MANAGEMENT

#### 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, 2005, the District participated in the Riverside Schools' Insurance Authority (RSIA) 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.

#### Workers' Compensation

For fiscal year 2005, 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.

#### 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.



# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

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### 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.

### 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, 2003, to June 30, 2005:

	Dental and Vision
Liability Balance, July 1, 2003	\$ 335,000
Claims and changes in estimates	1,821,359
Claims payments	(1,806,359)
Liability Balance, June 30, 2004	350,000
Claims and changes in estimates	1,825,994
Claims payments	(1,775,844)
Liability Balance, June 30, 2005	\$ 400,150
Assets available to pay claims at June 30, 2005	\$ 877,979

### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

#### 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.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **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 2004-2005 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, 2005, 2004, and 2003, were \$4,435,470, \$4,136,276, and \$3,736,704, respectively, and equal 100 percent of the required contributions for each year.

### **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 2004-2005 was 9.952 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, 2005, 2004, and 2003, were \$2,082,280, \$1,986,650, and \$514,464, respectively, and equal 100 percent of the required contributions for each year.

#### **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.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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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 \$173,565, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$173,565, which was 3.75 percent of the covered payroll.

### **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 \$2,428,481 (4.517 percent of salaries subject to STRS). No contributions were made to PERS for the year ended June 30, 2005. 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 have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

## **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

### **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, 2005.

### **Litigation**

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

### **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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2005**

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, 2005.

Year Ending June 30,	Lease Payment
2006	\$ 844,000
2007	844,000
2008	844,000
Total	<u>\$ 2,532,000</u>

### Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
East Coachella Elementary Site	\$ 7,312,384	06/01/06
K-12 Mega Site Growth Project	617,416	06/01/06
John Kelley Modernization	31,859	06/01/06
Peter Pendleton Modernization	21,767	06/01/06
Sea View/West Shores Modernization	4,236	06/01/06
Westside Modernization	167,728	06/01/06
Future School Sites Coachella (40 Acres)	49,505	06/01/06
Cesar Chavez Parking Lot	35,034	06/01/06
Alternative Education Thermal Campus	693,093	06/01/06
West Coachella Elementary Site	119,759	09/01/06
North Shore Elementary #6	188,730	01/01/07
Bobby Duke Expansion/Reconstruction	37,394	09/01/07
Boys & Girls Club DSA Approval	77,906	09/01/08
Oasis Reconstruction (Elementary #5)	150,186	09/01/08
Avenue 49 School Site	507,472	09/01/11
	<u>\$ 10,014,469</u>	

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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### **NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS**

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.

During the year ended June 30, 2005, the District made payments of \$651,365 and \$2,777,867 to RSIA and DSSIPE, respectively, for services received.

### **NOTE 16 - SUBSEQUENT EVENTS**

#### **2005 General Obligation Bonds, Series A**

On August 19, 2005, the District issued \$49,998,180 2005 General Obligation Bonds, Series A. This issuance represents the first portion of the June 7, 2005, \$250,000,000 authorized general obligation bonds of the District. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$3,000,000, and ending with an aggregate principal debt service balance of \$52,140,000. The bonds mature on August 1, 2030, with interest yields of 2.62 to 4.26 percent. Proceeds from the sale of the bonds will be used to finance the construction, renovation, and repair of certain school facilities.

#### **Land Acquisition**

On July 6, 2005, the District entered into an agreement with the Coachella Valley Unified School District Property Acquisition Corporation to acquire 79.24 acres of vacant land for \$6,500,000. The land is being purchased with the intent to build a future school site. The terms of the purchase include a down payment of \$1,500,000 and interest only for three years at six percent with the balance of \$5,000,000 due at the end of the three-year period.

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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, 2005

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 72,973,826	\$ 74,976,697	\$ 75,485,386	\$ 508,689
Federal sources	19,969,292	28,864,108	24,462,441	(4,401,667)
Other State sources	16,582,451	22,183,874	23,005,527	821,653
Other local sources	7,256,072	7,470,263	8,207,501	737,238
<b>Total Revenues</b>	<b>116,781,641</b>	<b>133,494,942</b>	<b>131,160,855</b>	<b>(2,334,087)</b>
<b>EXPENDITURES</b>				
Current				
Instruction	68,354,952	84,837,696	75,436,354	9,401,342
Instruction-related activities:				
Supervision of instruction	1,450,199	1,696,621	1,673,453	23,168
Instructional library, media, and technology	215,739	218,030	211,351	6,679
School site administration	15,616,256	17,771,940	16,793,058	978,882
Pupil services:				
Home-to-school transportation	6,283,020	6,408,345	6,633,970	(225,625)
All other pupil services	3,903,632	4,001,758	3,854,968	146,790
General administration:				
Data processing	949,243	1,369,547	1,278,773	90,774
All other general administration	5,837,574	7,933,927	6,551,345	1,382,582
Plant services	11,484,880	12,004,694	11,024,343	980,351
Facility acquisition and construction	3,700	3,425,261	1,597,422	1,827,839
Community services	109,142	67,884	52,578	15,306
Other outgo	13,525	13,525	-	13,525
Debt service				
Principal	1,031,588	1,222,169	1,239,075	(16,906)
Interest	114,313	129,625	113,270	16,355
<b>Total Expenditures</b>	<b>115,367,763</b>	<b>141,101,022</b>	<b>126,459,960</b>	<b>14,641,062</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,413,878</b>	<b>(7,606,080)</b>	<b>4,700,895</b>	<b>12,306,975</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	35,183	35,183
Transfers out	(1,983,443)	(2,133,443)	(2,352,421)	(218,978)
Other uses	-	-	(13,446)	(13,446)
<b>Net Financing Sources (Uses)</b>	<b>(1,983,443)</b>	<b>(2,133,443)</b>	<b>(2,330,684)</b>	<b>(197,241)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(569,565)</b>	<b>(9,739,523)</b>	<b>2,370,211</b>	<b>12,109,734</b>
<b>Fund Balance - Beginning</b>	<b>23,153,805</b>	<b>23,153,805</b>	<b>23,153,805</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 22,584,240</b>	<b>\$ 13,414,282</b>	<b>\$ 25,524,016</b>	<b>\$12,109,734</b>

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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, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Awards:			
Title I, Part B - Early Reading First	84.359B	N/A	\$ 923,839
Title I, Part B - Even Start Migrant Education	84.214A	N/A	205,745
Title III - Bilingual Education, Discretionary Grant	84.290U	N/A	596,565
Indian Education	84.060	N/A	12,580
Impact Aid [1]	84.041	N/A	1,536,985
Passed through California Department of Education (CDE):			
California Alternate Performance Assessment	84.000	14488	140
Advance Placement Test Fee Program	84.330	14333	15,562
Adult Education Grants			
Adult Basic Education - ESL	84.002A	14508	61,439
Adult Basic Education - Adult Secondary Education	84.002A	13978	23,671
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	69,640
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants, Low Income and Neglected [1]	84.010	13797	7,590,140
Title I, Part A - School Improvement State Monitored Schools [1]	84.010A	14417	75,000
Title I, Part A - Program Improvement SAIT Corrective Actions Plan [1]	84.010A	14579	37,967
Title I, Part A - Program Improvement District Intervention [1]	84.010A	14581	240,000
Title I, Part B - Reading First Program	84.357A	14328	2,350,147
Title I, Part C - Migrant Education	84.011	14326	824,190
Title I, Program Improvement and School Choice	84.348	14106	7,470
Title II, Part A - Improving Teacher Quality	84.367	14341	1,202,851
Title II, Part A - Principal Training	84.367	14344	5,564
Title II, Part B - CA Mathematics and Science Partnership	84.366	14512	812,109
Title II, Part D - Enhancing Education Through Technology	84.318	14334	216,537
Title II, Part D - Enhancing Education Through Technology, Competitive Grant	84.318	14368	360,080
Title III - Immigrant Education Program	84.365A	14346	121,498
Title III - Limited English Proficiency	84.365	10084	1,001,096
Title IV, Part A - Safe and Drug-Free Schools	84.186	13453	161,488
Title IV, Part B - 21st Century Community Learning Centers	84.287	14349	1,388,934
Title V, Part A - Innovation Education Strategies	84.298	13340	101,094

[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, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION, Continued			
Passed through California Department of Education (CDE):			
Vocational Education Grants			
Applied Technology - Secondary Education	84.048	13924	\$ 177,333
Passed through Riverside County Office of Education:			
Individuals with Disabilities Education Act (IDEA)			
Federal Preschool	84.173A	13430	49,475
Local Assistance	84.027A	13379	1,526,673
Preschool Local Assistance	84.027A	13682	86,621
Local Staff Development	84.027A	13613	3,302
Total U.S. Department of Education			<u>21,785,735</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Basic Breakfast [1]	10.553	03525	151,690
Especially Needy Breakfast [1]	10.553	03526	955,455
National School Lunch Program [1]	10.555	03524	4,511,475
Meal Supplements [1]	10.555	03755	121,699
Child and Adult Care Food Program	10.558	03665	338,068
Food Distribution	10.550	03389	648,546
Total U.S. Department of Agriculture			<u>6,726,933</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	42,585
Medical Administrative Activities Program	93.778	10060	113,758
Passed through Riverside County Office of Education:			
Headstart [1]	93.600	10016	2,838,018
Passed through CDE:			
Child Development - Federal Child Care, Center Based [1]	93.596	13609	367,497
Child Development - Quality Improvement Activities [1]	93.575	13979	2,283
Passed through Coachella Valley Housing Coalition:			
Child Development - Federal Child Care, Center Based [1]	93.596	13609	575,625
Total U.S. Department of Health and Human Services			<u>3,939,766</u>
Total Expenditures of Federal Awards			<u>\$ 32,452,434</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, 2005

		Second Period ADA		
	Annual	2004-2005	Amended 2003-2004	Increase/ (Decrease)
ELEMENTARY				
Kindergarten	1,186	1,176	1,120	56
First through third	3,812	3,794	3,661	133
Fourth through sixth	3,611	3,599	3,375	224
Seventh and eighth	2,223	2,220	2,162	58
Home and hospital	3	3	2	1
Special education	250	242	207	35
Total Elementary	11,085	11,034	10,527	507
SECONDARY				
Regular classes	3,446	3,475	3,176	299
Continuation education	123	124	111	13
Home and hospital	8	7	3	4
Special education	176	172	190	(18)
Total Secondary	3,753	3,778	3,480	298
Total K-12	14,838	14,812	14,007	805
CLASSES FOR ADULTS				
Concurrently enrolled	19	18	15	3
Not concurrently enrolled	273	284	385	(101)
Total Classes for Adults	292	302	400	(98)
Grand Total	15,130	15,114	14,407	707
SUMMER SCHOOL				
Elementary		254,423	167,241	87,182
High School		196,441	186,312	10,129
Total Hours		450,864	353,553	97,311

See accompanying note to supplementary information.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2005

Grade Level	1982-83	1986-87	2004-05	2004-05	2004-05	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Time Goal Average	Average of Actual Time	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	36,000	37,590	N/A	N/A	180	N/A	Complied
Grades 1	48,560	50,400	56,070	54,565	56,070	180	N/A	[1]
Grades 2	48,560	50,400	56,070	54,565	56,070	180	N/A	[1]
Grades 3	48,560	50,400	56,070	54,565	56,070	180	N/A	[1]
Grades 4	58,730	54,000	56,070	54,565	56,070	180	N/A	[1]
Grades 5	58,730	54,000	56,070	54,565	56,070	180	N/A	[1]
Grades 6	58,730	54,000	56,070	54,565	56,070	180	N/A	[1]
Grades 7 - 8	58,730	54,000	60,514	N/A	N/A	180	N/A	Complied
Grades 9 - 12	58,730	64,800	65,419	N/A	N/A	180	N/A	Complied

[1] The District used the weighted average method to meet the compliance requirements of the longer day by averaging the actual minutes for 2004-2005 in grades 1 through 6

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, 2005

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

	County School Facilities Fund	Self-Insurance Fund
FUND BALANCE		
Balance, June 30, 2005, Unaudited Actuals	\$ 10,911,055	\$ 415,390
Decrease in:		
Prepaid expenses	(150,036)	-
Increase in:		
Cash with fiscal agent	-	62,439
Prepaid expenses	185,000	-
Balance, June 30, 2005, Audited Financial Statement	<u>\$ 10,946,019</u>	<u>\$ 477,829</u>

See accompanying note to supplementary information.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2006 <sup>1</sup>	2005	2004	2003
GENERAL FUND				
Revenues	\$ 133,194,875	\$ 131,160,855	\$ 116,212,517	\$ 108,078,661
Other sources	-	35,183	1,831,308	3,680,922
Total Revenues and Other Sources	133,194,875	131,196,038	118,043,825	111,759,583
Expenditures	131,537,771	126,459,960	115,187,740	108,479,074
Other uses and transfers out	2,199,474	2,365,867	2,117,043	1,736,608
Total Expenditures and Other Uses	133,737,245	128,825,827	117,304,783	110,215,682
INCREASE (DECREASE) IN FUND BALANCE	\$ (542,370)	\$ 2,370,211	\$ 739,042	\$ 1,543,901
ENDING FUND BALANCE	\$ 24,981,646	\$ 25,524,016	\$ 23,153,805	\$ 22,414,763
AVAILABLE RESERVES <sup>2,3</sup>	\$ 12,454,946	\$ 6,250,219	\$ 5,138,162	\$ 5,264,588
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	9.31%	4.94%	4.38%	4.78%
LONG-TERM DEBT	N/A	\$ 50,166,066	\$ 50,842,933	\$ 45,947,907
K-12 AVERAGE DAILY ATTENDANCE AT P-2 <sup>4</sup>	15,301	14,812	14,007	13,271

The General Fund balance has increased by \$3,109,253 over the past two years. The fiscal year 2005-06 budget projects a decrease of \$542,370 (2.1 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2005-06 fiscal year. Total long-term debt has increased by \$4,218,159 over the past two years.

Average daily attendance has increased by 1,541 over the past two years. Additional growth of 489 ADA is anticipated during fiscal year 2005-06.

<sup>1</sup> Budget 2006 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On-behalf payments of \$2,428,481 have been excluded from the calculation of available reserves for fiscal year ending June 30, 2005.

<sup>4</sup> Excludes Adult Education and ROP ADA.

See accompanying note to supplementary information.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2005

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **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.

#### **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 apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **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.

#### **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.

#### **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.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2005

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
<b>ASSETS</b>			
Deposits and investments	\$ 95,252	\$ 46,675	\$ 407,828
Receivables	83,386	145,592	3,507
Due from other funds	-	-	150,000
<b>Total Assets</b>	<b>\$ 178,638</b>	<b>\$ 192,267</b>	<b>\$ 561,335</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	3,769	1,797	-
Due to other funds	73,662	180,749	-
<b>Total Liabilities</b>	<b>77,431</b>	<b>182,546</b>	<b>-</b>
<b>Fund Balances:</b>			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	101,207	9,721	561,335
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total Fund Balances</b>	<b>101,207</b>	<b>9,721</b>	<b>561,335</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 178,638</b>	<b>\$ 192,267</b>	<b>\$ 561,335</b>

See accompanying note to supplementary information - unaudited.

<b>Building Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>
\$ 48,004	\$ 4,012,755	\$ 1,407,963	\$ 6,018,477
347	3,118	-	235,950
-	222	-	150,222
<u>\$ 48,351</u>	<u>\$ 4,016,095</u>	<u>\$ 1,407,963</u>	<u>\$ 6,404,649</u>
-	19,998	-	25,564
-	112,480	-	366,891
<u>-</u>	<u>132,478</u>	<u>-</u>	<u>392,455</u>
-	-	-	672,263
-	-	1,407,963	1,407,963
48,351	3,883,617	-	3,931,968
<u>48,351</u>	<u>3,883,617</u>	<u>1,407,963</u>	<u>6,012,194</u>
<u>\$ 48,351</u>	<u>\$ 4,016,095</u>	<u>\$ 1,407,963</u>	<u>\$ 6,404,649</u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED

JUNE 30, 2005

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 672,575	\$ -	\$ -
Federal sources	154,750	935,295	-
Other State sources	-	309,885	539,364
Other local sources	30,364	395,500	6,119
<b>Total Revenues</b>	<b>857,689</b>	<b>1,640,680</b>	<b>545,483</b>
<b>EXPENDITURES</b>			
Current			
Instruction	526,589	1,324,717	-
Instruction-related activities:			
Supervision of instruction	116,936	85,176	-
School site administration	109,907	39,869	-
General administration:			
All other general administration	34,189	52,386	-
Plant services	12,692	22,064	-
Facility acquisition and construction	-	73,300	1,085,322
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>800,313</b>	<b>1,597,512</b>	<b>1,085,322</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>57,376</b>	<b>43,168</b>	<b>(539,839)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	39,600	-	550,000
Transfers out	-	(35,183)	-
<b>Net Financing</b>			
<b>Sources (Uses)</b>	<b>39,600</b>	<b>(35,183)</b>	<b>550,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>96,976</b>	<b>7,985</b>	<b>10,161</b>
<b>Fund Balance - Beginning</b>	<b>4,231</b>	<b>1,736</b>	<b>551,174</b>
<b>Fund Balance - Ending</b>	<b>\$ 101,207</b>	<b>\$ 9,721</b>	<b>\$ 561,335</b>

See accompanying note to supplementary information - unaudited.



<b>Building Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 672,575
-	-	-	1,090,045
-	-	9,319	858,568
1,036	76,257	1,090,079	1,599,355
1,036	76,257	1,099,398	4,220,543
-	-	-	1,851,306
-	-	-	202,112
-	-	-	149,776
-	-	-	86,575
-	-	-	34,756
-	6,423,689	-	7,582,311
-	655,000	530,000	1,185,000
-	773,472	534,211	1,307,683
-	7,852,161	1,064,211	12,399,519
1,036	(7,775,904)	35,187	(8,178,976)
-	1,762,821	-	2,352,421
-	-	-	(35,183)
-	1,762,821	-	2,317,238
1,036	(6,013,083)	35,187	(5,861,738)
47,315	9,896,700	1,372,776	11,873,932
\$ 48,351	\$ 3,883,617	\$ 1,407,963	\$ 6,012,194

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES OF FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2005

(Dollar amounts in thousands,  
except for per ADA)

	Actual Results for the Years					
	2004-2005		2003-2004		2002-2003	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 24,619	18.8	\$ 20,633	17.8	\$ 16,232	15.0
State and local revenue included in revenue limit	75,485	57.5	68,958	59.3	65,209	60.3
Other state revenue	22,849	17.4	25,656	22.1	19,090	17.7
Other local revenue	8,208	6.3	965	0.8	3,544	3.3
Tuition and transfers in	-	0.0	-	-	4,004	3.7
Total Revenues	<u>131,161</u>	<u>100.0</u>	<u>116,212</u>	<u>100.0</u>	<u>108,079</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	53,800	41.0	49,775	42.8	45,302	41.9
Classified salaries	20,351	15.5	18,221	15.7	17,617	16.3
Employee benefits	27,228	20.8	21,084	18.1	17,733	16.4
Total Salaries and Benefits	101,379	77.3	89,080	76.6	80,652	74.6
Books and supplies	10,341	7.9	10,753	9.2	12,634	11.7
Contracts and operating expenses	11,444	8.7	9,864	8.5	8,347	7.7
Capital outlay	2,400	1.8	3,671	3.2	3,432	3.2
Other outgo	896	0.7	1,819	1.6	3,414	3.2
Total Expenditures	<u>126,460</u>	<u>96.4</u>	<u>115,187</u>	<u>99.1</u>	<u>108,479</u>	<u>100.4</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,701	3.6	1,025	0.9	(400)	(0.4)
<b>OTHER FINANCING SOURCES (USES)</b>						
Net transfers	(2,331)	(1.8)	(286)	(0.2)	1,944	1.8
INCREASE IN FUND BALANCE	<u>2,370</u>	<u>1.8</u>	<u>739</u>	<u>0.7</u>	<u>1,544</u>	<u>1.4</u>
FUND BALANCE, BEGINNING	23,154		22,415		20,871	
FUND BALANCE, ENDING	<u>\$ 25,524</u>		<u>\$ 23,154</u>		<u>\$ 22,415</u>	

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### BASE REVENUE LIMIT PER ADA

Regular K-12	<u>\$ 4,964</u>	<u>\$ 4,831</u>	<u>\$ 4,743</u>
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See accompanying note to supplementary information - unaudited.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2005

(Dollar amounts in thousands)

	Actual Results for the Years					
	2004-2005		2003-2004		2002-2003	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal - NSLP	\$ 6,727	79.3	\$ 6,125	79.3	\$ 5,680	79.6
State meal program	397	4.7	365	4.7	341	4.8
Food sales	1,243	14.6	1,141	14.8	1,038	14.5
Other	122	1.4	90	1.2	114	1.1
Total Revenues	8,489	100.0	7,721	100.0	7,173	100.0
<b>EXPENDITURES</b>						
Salaries and employee benefits	3,880	45.7	3,340	43.3	2,903	40.7
Food	3,085	36.3	2,323	30.1	2,715	38.0
Supplies	73	0.9	136	1.7	195	2.7
Other	858	10.1	1,207	15.6	173	2.4
Total Expenditures	7,896	93.0	7,006	90.7	5,986	83.8
INCREASE IN FUND BALANCE	593	7.0	715	9.3	1,187	16.2
FUND BALANCE, BEGINNING	3,566		2,851		1,664	
FUND BALANCE, ENDING	\$ 4,159		\$ 3,566		\$ 2,851	

\* \* \* \* \*

### TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2004-2005		2003-2004		2002-2003	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>TYPE 'A' LUNCHES</b>						
Paid	125,459	5.9	118,792	5.8	116,047	6.1
Reduced price	195,788	9.1	185,966	9.1	158,227	8.3
Free	1,821,218	85.0	1,732,392	85.1	1,631,998	85.6
Total Lunches	2,142,465	100.0	2,037,150	100.0	1,906,272	100.0
<b>BREAKFAST</b>						
Paid	22,463	2.8	24,121	3.4	19,935	3.2
Reduced price	45,195	5.6	38,825	5.4	29,454	4.8
Free	733,920	91.6	652,685	91.2	569,062	92.0
Total Breakfast	801,578	100.0	715,631	100.0	618,451	100.0

See accompanying note to supplementary information - unaudited.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2005**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

#### **General Fund Selected Financial Information - Unaudited**

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

#### **Cafeteria Account Selected Financial Information - Unaudited**

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 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, 2005, which collectively comprise the Coachella Valley Unified School District's basic financial statements and have issued our report thereon dated November 4, 2005. 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 items 2005-1 and 2005-2.

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 caused by error or fraud 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 November 4, 2005.

## 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 grant agreements, 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, 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  
November 4, 2005





**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, 2005. 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, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as items 2005-3 and 2005-4.

## 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 caused by error or fraud 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, 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.

*Vavnick, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
November 4, 2005



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Coachella Valley Unified School District  
Thermal, California

We have audited the 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, 2005, and have issued our report thereon dated November 4, 2005. 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 the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2004-05*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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 opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Coachella Valley Unified School District management. 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	8	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	12	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
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE)		
Program	3	Not Applicable
School Accountability Report Card	3	Yes

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 Local Educational Agencies 2004-05* Audit Guide and, therefore, we were not required to test this area. We did not complete procedure 2 in the audit guide since the District does not have an alternate pension plan for permanent, full-time employees.

Based on our audit, we found that for the items tested, the Coachella Valley Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Coachella Valley Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Coachella Valley Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, 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.

*Vasimak, Tume, Day & Co., LLP*

Rancho Cucamonga, California  
November 4, 2005

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***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, 2005

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### 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)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.041</u>	<u>Impact Aid</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants</u>
<u>84.010A</u>	<u>Title I, Part A - School Improvement State Monitored Schools</u>
<u>84.010A</u>	<u>Title I, Part A - Program Improvement SAIT</u>
<u>84.010A</u>	<u>Title I, Part A - Program Improvement District Intervention</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>93.600</u>	<u>Headstart</u>
<u>93.575, 93.596</u>	<u>Child Care Block Grant</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 973,573</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>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

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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>
30000	Internal Control

### ***PERSONNEL***

2005-1    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.

### ***FIXED ASSETS***

2005-2    30000

#### **Finding**

The District does not have adequate procedures to ensure that all assets with a cost in excess of the capitalization threshold of \$5,000 are properly included in the fixed asset system. For example, there is no system in place to reconcile expenditures posted to the relevant account codes and additions to fixed assets.



# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

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### **Recommendation**

District personnel should reconcile expenditures posted to relevant accounts and additions to the fixed asset system on a regular basis. All construction-related expenditures, such as planning, architect costs, fees, and site preparation, as well as actual construction costs, should be included in the work in process group until the project has been completed. When the project has been completed, it should be posted to the fixed asset system inclusive of costs. This function could be completed by the accounting department with the help of the facilities and purchasing departments providing information for the work in process and equipment groups, respectively.

### **District Response**

Agree with the finding and recommendation. In the 2005-06 fiscal year, the District is scheduled to implement an Asset Management component to the Financial System. As a result, the accounting department will have the ability to monitor and reconcile all of the District's capital assets.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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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

### *TIME CERTIFICATIONS – 84.010 TITLE I*

2005-3     50000

#### **Finding**

During our review of Title I – Basic School Support, it was noted that the time documentation requirements of Office of Management and Budget's (OMB) Circular A-87 are not consistently being followed. We noted eight employees from our sample that did not have a semi-annual time certification on file.

#### **Recommendation**

The District should implement procedures to meet the requirement as outlined in Circular A-87. Employees who are charged fully to this Federal program should prepare semi-annual certification that they have worked solely in the program to which their salary was charged.

#### **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 staff.

### *TIME CERTIFICATIONS – 93.575, 93,596 CHILD CARE BLOCK GRANT*

2005-4     50000

#### **Finding**

We noted that none of the employees funded by the Child Care program had documented their time and effort as required by OMB Circular A-87.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005**

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### **Recommendation**

The District should implement procedures to meet the updated Office of Management and Budget (OMB) 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. Employees who are charged fully to this Federal program should prepare semi-annual certification that they have worked solely in the program to which their salary was charged.

### **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 staff.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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

Five Digit Code  
40000

AB 3627 Finding Type  
State Compliance

### *STATE LOTTERY FUNDS (CALIFORNIA STATE LOTTERY ACT OF 1984)*

2005-5     40000

#### **Finding**

The District received \$1,896,566 in Non-Proposition 20 monies and transferred all funds received during the year to the General Fund unrestricted resource. Therefore, expenditures could not be clearly identified or reviewed for compliance requirements. Pursuant to Government Code 8880.5(k), the District is required to account for Non-Proposition 20 revenue and expenditures separately. However, the District designated a portion of their ending General Fund balance for the \$1,896,566 amount.

#### **Recommendation**

For fiscal year 2005-06, the District should budget and transfer the \$1,896,566 amount to the Non-Proposition 20 account restricted resource. To comply with the Government Code, the District should account for all Non-Proposition 20 revenues and expenditures separately to provide a clear identifiable audit trail.

#### **District Response**

Agree with the finding and recommendation. The auditor's recommendation will be implemented.

### *STATE SCHOOL FACILITIES FUNDS*

2005-6     40000

#### **Finding**

We noted expenditures totaling \$243,222 that were not for school facilities expenditures as provided in subdivision (c) of Education Code Section 17070.43 and, additionally, set forth in Education Code Section 17072.35, or in Education Code Section 17074.25. The District transfers monies to the County School Facilities Fund from other funds to pay for District construction projects. Since the transfers from other funds are not clearly identified to a specific project, we could not determine whether the exception noted was made from State school facilities funds.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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### **Recommendation**

To comply with the Education Code, the District should only make expenditures from the County School Facilities Fund for school facilities expenditures as defined in the above mentioned Education Codes.

### **District Response**

Disagree with the finding. Agree with the recommendation. The transfers in the County School Facilities Fund have subsequently been identified. The recommendation will be implemented.

### ***English Learner Teaching***

2005-7      40000

### **Finding**

Based on our review of teachers selected for testing, we noted two teachers without the proper qualifications pursuant to Education Code Section 44253.3, 44253.4, or 44253.10 who instructed a class in which more than 20 percent of pupils were English learners.

### **Recommendation**

The District should ensure that all teachers instructing a class in which more than 20 percent of pupils are English learners hold the proper qualifications pursuant to Education Code Section 44253.3, 44253.4, or 44253.10.

### **District Response**

The District will comply with the auditor's recommendations.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

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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*

#### *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.

#### **Current Status**

Not implemented. See current year finding 2005-1.

### *Federal Award Findings*

2004-2     50000

#### *Semi-Annual Certifications – Title I, Title II, 21<sup>st</sup> 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 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.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005**

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### **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 2005-3.

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November 4, 2005

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, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 4, 2005, on the financial statements of Coachella Valley Unified School District.

#### ***CAFETERIA***

##### ***Inventory***

##### **Finding**

During our examination, it came to our attention that a detail listing of the extended cost per unit for the site cafeteria inventories could not be provided. The inventory listing provided only indicated a lump sum total by site.

##### **Recommendation**

We recommend that the cafeteria central location collect and maintain a detail inventory listing for all sites at least once for the fiscal year-end.

#### ***SITE CASH***

##### ***Las Palmitas Elementary School and Cahuilla Desert Academy***

##### **Finding**

Monies collected at the site on behalf of the District are not being submitted to the District in a timely manner. We noted during our testing monies being held at the location for periods exceeding 45 days.

### **Recommendation**

Monies collected by the site should be transmitted to the District on a regular basis. The frequency would depend on the amount on hand, but at least monthly in order to minimize risk of loss.

### ***La Familia Continuation School***

### **Finding**

In review of internal controls over site cash, we noted in regards to the safekeeping of receipted cash, the site is not locking monies collected in a drawer or safe. In addition, as of the audit date no deposit has been made for the monies collected for the year.

### **Recommendation**

Money collected should be placed in a safe or locked drawer for safekeeping until the deposit can be made. In addition, monies collected by the site should be transmitted to the District on a regular basis. The frequency would depend on the amount on hand, but at least monthly in order to minimize risk of loss.

### ***INDIRECT COSTS***

### **Finding**

Indirect costs being charged to the various categorical programs are not always consistent. The District has overcharged two of the programs and undercharged various programs based on the approved indirect cost rate.

### **Recommendation**

The District should identify the accurate indirect cost rate to be charged against the various categorical programs and make sure to apply the rate when calculating indirect costs. The District should also ensure that the indirect cost rates are being applied to accurate expenditures.

### ***ASSOCIATED STUDENT BODY ACCOUNTS***

### ***Cahuilla Desert Academy, Desert Mirage High School***

### ***Revenue Potentials***

### **Finding**

Revenue potential forms are not being used to document and control fund-raising activities. 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**

The revenue potential form is a vital internal control tool that 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.

#### ***Cahuilla Desert Academy, Desert Mirage High School***

### ***Ticket Log***

### **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 sale reconciliation is not prepared that calculates the number of tickets sold and compares this to the monies collected.

### **Recommendation**

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. 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.

#### ***Desert Mirage High School***

### ***Student Store***

### **Finding**

We noted during our audit that multiple site employees have access to the student store.


### **Recommendation**

In order to prevent misappropriation of assets, the District should restrict access to the student store to only personnel assigned to operate and/or manage the day-to-day activities of the student store.

Governing Board  
Coachella Valley Unified School District  
November 4, 2005

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Gregory P. Cook". The signature is fluid and cursive, with the first name "Gregory" written in a more stylized, connected manner.

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