

**COACHELLA VALLEY UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2006

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
OF RIVERSIDE COUNTY
THERMAL, CALIFORNIA
JUNE 30, 2006

GOVERNING BOARD

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Mr. Robert Bailey	Assistant Superintendent, Educational Services

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Coachella Valley Unified School District
Thermal, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District (the "District") as of and for the year ended June 30, 2006, 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 2005-06*, issued by the California Education Audit Appeals Panel as regulations. 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, 2006, and the respective changes in financial position 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 3, 2006, 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.

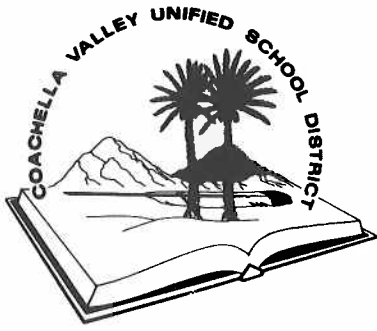
The required supplementary information, such as management's discussion and analysis on pages 4 through 14 and budgetary comparison information on page 57, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted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

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*, is presented for purposes of additional analysis and is 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, is 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 and the General Fund 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.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 3, 2006



COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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

This section of Coachella Valley Unified School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. 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 and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (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 obligations). 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, 2006

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Negotiated a 2-year salary and benefit contract with Certificated Staff that eliminated the Supplemental Employee Retirement Benefit that had been part of the contract since 1985. The raise included 4.5 percent from September 2005 and 4 percent from July 2006, with an addition of salary steps on columns C, D, E, and F.
- Classified and Management also received 4.5 percent from September/July 2005 and 4 percent from July 2006 with two additional columns for certificated management. Financial impact for 2005-06 for CVTA, CSEA and Management was \$3,120,000. Estimated impact for 2006-07 is \$3,441,566.
- Completed Construction on Valle del Sol, an elementary school for 913 students located in East Coachella (\$17,000,000 construction cost).
- Completed 95 percent of the construction for Coral Mountain Academy for 900 students in West Coachella. (\$25,000,000 total cost).
- Completed Modernization of four elementary schools – State Funds-\$3,983,892; Certificates of Participation Funds-\$2,650,669; Cafeteria Fund-\$295,000
 - Westside - New MPR/Office/Library/restrooms/classroom IT/cabinetry
 - Peter Pendleton - New Office/Library/MPR floor/walls/restrooms/classroom walls/IT
 - Sea View - New Nurses Office/ADA upgrade/classroom/restroom upgrade
 - John Kelley - New Kitchen/restrooms/classroom upgrade/ADA compliance
- Closed escrow on a 38 acre K-6 site next to CDA (\$12,000,000).
- Collected over \$18,000,000 in developer fees that we used for portable classrooms, restrooms, new construction and other growth related school site projects.
- Purchased five new vehicles for growth and replacement in the Technology, Maintenance and Grounds Departments and six School Site Athletic Vans (\$500,000) and five school buses (\$677,000).
- Food Service Department realized a profit of \$300,000 and budgeted over \$500,000 toward construction of new kitchens and new equipment for existing kitchens.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* 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 governing 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$220.4 million for the fiscal year ended June 30, 2006. Of this amount, \$19.0 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 governing 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 98.4	\$ 50.5	\$ 4.5	\$ 4.0	\$ 102.9	\$ 54.5
Capital assets	243.4	199.5	0.7	0.6	244.1	200.1
Total Assets	341.8	250.0	5.2	4.6	347.0	254.6
Current liabilities	8.8	10.6	0.2	0.2	9.0	10.8
Long-term obligations	117.6	47.1	-	-	117.6	47.1
Total Liabilities	126.4	57.7	0.2	0.2	126.6	57.9
Net assets						
Invested in capital assets, net of related debt	131.9	151.6	-	-	131.9	151.6
Restricted	69.5	20.9	-	-	69.5	20.9
Unrestricted	14.0	19.8	5.0	4.4	19.0	24.2
Total Net Assets	\$ 215.4	\$ 192.3	\$ 5.0	\$ 4.4	\$ 220.4	\$ 196.7

The \$14.0 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 \$14.0 million left. We will need to closely monitor our expenditures in the future and adhere strictly to the budget to increase this \$14.0 million.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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.

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 9.2	\$ 16.4	\$ 1.5	\$ 1.3	\$ 10.7	\$ 17.7
Operating grants and contributions	47.0	19.9	7.7	7.1	54.7	27.0
Capital grants and contributions	16.5	1.1	-	-	16.5	1.1
General revenues:						
State revenue limit sources	78.5	74.8	-	-	78.5	74.8
Property taxes	16.2	10.2	-	-	16.2	10.2
Other general revenues	16.5	29.5	-	-	16.5	29.5
Total Revenues	183.9	151.9	9.2	8.4	193.1	160.3
Expenses						
Instruction-related	114.9	100.9	-	-	114.9	100.9
Student support services	12.0	10.9	8.6	7.6	20.6	18.5
Administration	9.0	7.9	-	-	9.0	7.9
Plant services	13.1	11.2	-	-	13.1	11.2
Other	11.9	4.3	-	-	11.9	4.3
Total Expenses	160.9	135.2	8.6	7.6	169.5	142.8
Change in Net Assets	\$ 23.0	\$ 16.7	\$ 0.6	\$ 0.8	\$ 23.6	\$ 17.5

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$160.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$16.2 million because the cost was paid by those who benefited from the programs (\$9.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$63.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$95.0 million in State funds and with other revenues, such as interest and general entitlements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

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 obligations 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.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$ 92.2	\$ 80.8	\$ 47.0	\$ 76.4
Instruction-related activities	22.7	20.1	10.3	9.7
Home-to-school transportation	7.3	6.8	3.7	3.4
Other pupil services	4.7	4.0	3.5	2.9
General administration	9.0	7.9	7.1	6.1
Maintenance and operations	13.1	11.2	12.3	10.9
Facility acquisition and construction	4.3	2.0	4.3	2.0
Community services	0.1	0.1	-	-
Interest on long-term obligations	7.5	2.2	7.5	2.2
Other	-	0.1	(7.6)	(15.7)
Totals	\$ 160.9	\$ 135.2	\$ 88.1	\$ 97.9

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$88.8 million, which is an increase \$46.3 million from last year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Table 4

(Amounts in millions)

	Fund Balance	
	June 30, 2006	June 30, 2005
General	\$ 22.3	\$ 25.5
Building	44.0	-
Capital Facilities Fund	7.9	-
County School Facilities Fund	1.8	10.9
Special Reserve-Capital Fund	5.4	3.9
Deferred Maintenance	0.4	0.6
Debt Service	1.9	1.4
Other Non-Major Funds	5.1	0.2
Totals	\$ 88.8	\$ 42.5

The primary reasons for these increases/decreases are:

- a. The decrease of \$2.2 million in the General Fund is due to: 1) Increased enrollment, 2) Increase in State Revenues.
- b. The increase of \$44.0 million in the Building Fund is due to: 1) Issuance of General Obligation Bonds.
- c. The increase of \$7.9 million in the Capital Facilities Fund is due to: 1) Higher than anticipated developer fee revenues.
- d. The decrease of \$9.1 million in the County Schools Facilities Fund is due to: 1) Construction expenditures for Coral Mountain Academy.
- e. The increase of \$1.5 million in the Special Reserve Capital Fund is due to: 1) Issuance of 2006 Certificates of Participation.
- f. The increase of \$4.9 million in Other Non-Major Funds is due to: 1) Higher than anticipated redevelopment pass-through revenues and other carry-over balances.

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 22, 2006 (see page 57).

- Significant revenue revisions made to the 2005-06 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 \$2.8 million due to carryover from 2004-05, and transfer of board designated reserves to budget.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had \$243.3 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of just under \$41 million, or 20.5 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land and construction in process	\$ 71.9	\$ 28.6	\$ -	\$ -	\$ 71.9	\$ 28.6
Buildings and improvements	165.3	164.9	-	0.3	165.3	165.2
Furniture and equipment	6.1	6.0	-	0.3	6.1	6.3
Totals	\$ 243.3	\$ 199.5	\$ -	\$ 0.6	\$ 243.3	\$ 200.1

Long-Term Obligations

At the end of this year, the District had \$74.6 million in bonds outstanding versus \$20.6 million last year, an increase of 362 percent. Our obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General obligation bonds						
(Financed with property taxes)	\$ 74.6	\$ 20.6	\$ -	\$ -	\$ 74.6	\$ 20.6
Certificates of participation	32.3	18.5	-	-	32.3	18.5
Capitalized lease obligations	4.6	5.6	-	-	-	5.6
Other	6.1	5.5	-	-	6.1	5.5
Totals	\$ 117.6	\$ 50.2	\$ -	\$ -	\$ 113.0	\$ 50.2

The District's general obligation bond rating continues to be "AAA". The State limits the amount of general obligation debt that districts can issue to five percent (5%) of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$74.6 million is significantly below the \$337 million statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits), and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-06 ARE NOTED BELOW:

Achieved a total student growth of 5.2 percent (758 students), thereby increasing State and increasing the instructional force by more than 39 new teachers.

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)
◆ Revenue Limit ADA of 15,301, an increase of 590 ADA or 4% over 2004-05		\$ 5,112.38

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Expenditure Assumptions

1. Salaries & Benefits

◆ State Teachers Retirement Increase:	\$58.91/ADA	\$ 901,265
◆ Workers' Compensation Increase:	20%	\$ 345,665
◆ Health and Welfare Increase:	22.51%	\$1,622,657
Health and Welfare Increase Unfunded	531,275	
◆ Certificated SERP increase (15 additional retirees):		\$ 473,586
◆ Certificated Retirees Health and Welfare Increase:		\$ 206,327
◆ Classified Retirees Health and 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
◆ Asst. 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 and 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, 2006

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.

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 84,214,277	\$ 3,320,402	\$ 87,534,679
Receivables	12,048,904	1,417,560	13,466,464
Internal balances	488,407	(488,407)	-
Stores inventories	98,835	235,633	334,468
Deferred cost on issuance	1,550,239	-	1,550,239
Capital assets			
Land and construction in process	71,852,871	-	71,852,871
Other capital assets	208,953,089	1,144,907	210,097,996
Less: Accumulated depreciation	(37,444,850)	(431,730)	(37,876,580)
Total Capital Assets	243,361,110	713,177	244,074,287
Total Assets	341,761,772	5,198,365	346,960,137
LIABILITIES			
Accounts payable	5,350,806	212,002	5,562,808
Interest payable	1,580,814	-	1,580,814
Deferred revenue	1,539,877	-	1,539,877
Claim liabilities	270,000	-	270,000
Long-term liabilities			
Current portion of long-term obligations	5,251,038	-	5,251,038
Noncurrent portion of long-term obligations	112,347,677	-	112,347,677
Total Long-Term Liabilities	117,598,715	-	117,598,715
Total Liabilities	126,340,212	212,002	126,552,214
NET ASSETS			
Invested in capital assets, net of related debt	131,864,942	-	131,864,942
Restricted for:			
Debt service	5,082,152	-	5,082,152
Capital projects	60,864,922	-	60,864,922
Educational programs	3,011,461	-	3,011,461
Other activities	631,238	-	631,238
Unrestricted	13,966,845	4,986,363	18,953,208
Total Net Assets	\$ 215,421,560	\$ 4,986,363	\$ 220,407,923

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, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 92,174,805	\$ 566,179	\$ 28,143,733	\$ 16,544,675
Instruction-related activities:				
Supervision of instruction	3,758,691	76,961	2,582,242	-
Instructional library, media and technology	215,409	-	-	-
School site administration	18,653,721	56,820	9,584,483	-
Pupil services:				
Home-to-school transportation	7,325,941	183,191	3,420,502	-
All other pupil services	4,704,325	453,915	752,815	-
General administration:				
Data processing	1,363,268	-	-	-
All other general administration	7,587,543	99,921	1,802,463	-
Plant services	13,120,559	339,945	457,634	-
Facility acquisition and construction	4,340,903	-	-	-
Community services	101,247	-	101,496	-
Interest on long-term obligations	7,527,366	-	-	-
Other outgo	6,305	7,422,276	187,798	-
Total Governmental Activities	160,880,083	9,199,208	47,033,166	16,544,675
Business-Type Activities:				
Food services	8,617,594	1,472,591	7,677,527	-
Total Business-Type Activities	8,617,594	1,472,591	7,677,527	-
Total School District	\$ 169,497,677	\$ 10,671,799	\$ 54,710,693	\$ 16,544,675

General revenues and subventions:

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

Subtotal, General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (46,920,218)	\$ -	\$ (46,920,218)
(1,099,488)	-	(1,099,488)
(215,409)	-	(215,409)
(9,012,418)	-	(9,012,418)
(3,722,248)	-	(3,722,248)
(3,497,595)	-	(3,497,595)
(1,363,268)	-	(1,363,268)
(5,685,159)	-	(5,685,159)
(12,322,980)	-	(12,322,980)
(4,340,903)	-	(4,340,903)
249	-	249
(7,527,366)	-	(7,527,366)
7,603,769	-	7,603,769
(88,103,034)	-	(88,103,034)
-	532,524	532,524
-	532,524	532,524
(88,103,034)	532,524	(87,570,510)
13,151,529	-	13,151,529
3,057,532	-	3,057,532
78,486,668	-	78,486,668
3,028,288	41,162	3,069,450
38,415	-	38,415
13,434,624	-	13,434,624
111,197,056	41,162	111,238,218
23,094,022	573,686	23,667,708
192,327,538	4,412,677	196,740,215
\$ 215,421,560	\$ 4,986,363	\$ 220,407,923

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2006

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 13,288,905	\$ 45,884,793	\$ 4,655,936
Receivables	11,169,574	457,821	158,421
Due from other funds	645,945	-	4,710,000
Stores inventories	98,835	-	-
Total Assets	\$ 25,203,259	\$ 46,342,614	\$ 9,524,357
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,371,341	2,338,369	87,791
Due to other funds	113,651	-	1,478,596
Deferred revenue	1,449,312	-	-
Total Liabilities	2,934,304	2,338,369	1,566,387
FUND BALANCES			
Reserved for:			
Other reservations	3,131,296	-	-
Unreserved:			
Designated	18,980,578	-	-
Undesignated, reported in:			
General Fund	157,081	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	44,004,245	7,957,970
Total Fund Balance	22,268,955	44,004,245	7,957,970
Total Liabilities and Fund Balances	\$ 25,203,259	\$ 46,342,614	\$ 9,524,357

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,493,929	\$ 12,786,930	\$ 83,110,493
40,311	214,088	12,040,215
1,478,596	113,651	6,948,192
-	-	98,835
<u>\$ 8,012,836</u>	<u>\$ 13,114,669</u>	<u>\$ 102,197,735</u>
1,505,210	48,095	5,350,806
4,710,000	157,538	6,459,785
-	90,565	1,539,877
<u>6,215,210</u>	<u>296,198</u>	<u>13,350,468</u>
-	-	3,131,296
-	-	18,980,578
-	-	157,081
-	631,238	631,238
-	5,082,152	5,082,152
1,797,626	7,105,081	60,864,922
<u>1,797,626</u>	<u>12,818,471</u>	<u>88,847,267</u>
<u>\$ 8,012,836</u>	<u>\$ 13,114,669</u>	<u>\$ 102,197,735</u>

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

Total Fund Balance - Governmental Funds		\$ 88,847,267
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
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	\$ 280,805,960	
Accumulated depreciation is	<u>(37,444,850)</u>	
Net Capital Assets		243,361,110
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,550,239
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,580,814)
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:		842,473
Long-term liabilities at year-end consist of:		
General obligation bonds	71,388,551	
Unamortized premium on general obligation bonds	3,244,981	
Certificates of participation	32,155,000	
Unamortized premium on certificates of participation	184,625	
Unamortized discount on certificates of participation	(93,761)	
Capital lease obligations	4,616,772	
Compensated absences	1,527,498	
Supplemental Early Retirement Plan	<u>4,575,049</u>	
Total Long-Term Liabilities		<u>(117,598,715)</u>
Total Net Assets - Governmental Activities		<u>\$ 215,421,560</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 83,077,428	\$ -
Federal sources	25,069,593	-
Other State sources	25,914,718	-
Other local sources	9,850,872	1,495,458
Total Revenues	143,912,611	1,495,458
EXPENDITURES		
Current		
Instruction	85,785,654	-
Instruction-related activities:		
Supervision of instruction	3,580,688	-
Instructional library, media and technology	215,911	-
School site administration	17,960,920	-
Pupil services:		
Home-to-school transportation	7,191,542	-
All other pupil services	4,503,797	-
General administration:		
Data processing	1,366,718	-
All other general administration	7,497,693	-
Plant services	12,647,854	-
Facility acquisition and construction	1,930,831	7,537,744
Community services	101,496	-
Debt service		
Principal	874,649	-
Interest and other	69,735	-
Total Expenditures	143,727,488	7,537,744
Excess (Deficiency) of Revenues Over Expenditures	185,123	(6,042,286)
Other Financing Sources (Uses):		
Transfers in	-	-
Other sources	-	49,998,180
Transfers out	(3,433,879)	-
Other uses	(6,305)	-
Net Financing Sources (Uses)	(3,440,184)	49,998,180
NET CHANGE IN FUND BALANCES	(3,255,061)	43,955,894
Fund Balance - Beginning	25,524,016	48,351
Fund Balance - Ending	\$ 22,268,955	\$ 44,004,245

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

Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 749,311	\$ 83,826,739
-	-	1,008,809	26,078,402
-	8,893,890	742,867	35,551,475
20,600,832	150,785	3,796,021	35,893,968
<u>20,600,832</u>	<u>9,044,675</u>	<u>6,297,008</u>	<u>181,350,584</u>
-	-	1,837,460	87,623,114
-	-	185,585	3,766,273
-	-	-	215,911
-	-	181,538	18,142,458
-	-	-	7,191,542
-	-	-	4,503,797
-	-	-	1,366,718
84	-	109,996	7,607,773
304,725	-	36,848	12,989,427
7,586,457	22,699,711	13,728,033	53,482,776
-	-	-	101,496
-	-	1,290,000	2,164,649
-	244,953	2,586,752	2,901,440
<u>7,891,266</u>	<u>22,944,664</u>	<u>19,956,212</u>	<u>202,057,374</u>
<u>12,709,566</u>	<u>(13,899,989)</u>	<u>(13,659,204)</u>	<u>(20,706,790)</u>
-	4,751,596	3,433,879	8,185,475
-	-	17,079,953	67,078,133
(4,751,596)	-	-	(8,185,475)
-	-	-	(6,305)
<u>(4,751,596)</u>	<u>4,751,596</u>	<u>20,513,832</u>	<u>67,071,828</u>
<u>7,957,970</u>	<u>(9,148,393)</u>	<u>6,854,628</u>	<u>46,365,038</u>
-	10,946,019	5,963,843	42,482,229
<u>\$ 7,957,970</u>	<u>\$ 1,797,626</u>	<u>\$ 12,818,471</u>	<u>\$ 88,847,267</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, 2006

Total Net Change in Fund Balances - Governmental Funds		\$ 46,365,038
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	\$ 49,141,873	
Depreciation expense	<u>(5,283,070)</u>	43,858,803
Net Expense Adjustment		
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 \$559,803. Vacation used was more than the amounts earned by \$9,797.		(550,006)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities:		
Sale of general obligation bonds		(49,998,180)
Sale of certificates of participation		(14,485,000)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:		
Premium on issuance	(3,362,675)	
Discount on issuance	94,153	
Cost of issuance	<u>1,093,909</u>	
Combined Adjustment		(2,174,613)

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, 2006

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	\$	615,000
Certificates of participation		675,000
Capital lease obligations		874,649

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	\$	126,781	
Amortization of debt discount		(392)	
Amortization of cost of issuance		<u>(50,606)</u>	
Combined Adjustment			75,783

Interest on long-term obligations 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 \$1,105,117, and second, \$1,421,979 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(2,527,096)

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.

364,644

Change in Net Assets of Governmental Activities

\$ 23,094,022

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, 2006

	Business-Type Activities Enterprise Funds Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 3,320,402	\$ 1,103,784
Receivables	1,417,560	8,689
Stores inventories	235,633	-
Total Current Assets	4,973,595	1,112,473
Noncurrent Assets		
Capital assets	1,144,907	-
Less: accumulated depreciation	(431,730)	-
Total Noncurrent Assets	713,177	-
Total Assets	5,686,772	1,112,473
LIABILITIES		
Current Liabilities		
Accounts payable	212,002	-
Due to other funds	488,407	-
Claim liabilities	-	270,000
Total Current Liabilities	700,409	270,000
NET ASSETS		
Invested in capital assets, net of related debt	713,177	-
Unrestricted	4,273,186	842,473
Total Net Assets	\$ 4,986,363	\$ 842,473

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, 2006

	Business-Type Activities Enterprise Funds Food Service	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,356,475	\$ -
Charges to other funds and miscellaneous revenues	116,116	2,237,047
Total Operating Revenues	1,472,591	2,237,047
OPERATING EXPENSES		
Payroll costs	4,184,781	-
Professional and contract services	230,605	1,900,971
Supplies and materials	3,684,202	-
Facility rental	56,545	-
Other operating cost	407,772	-
Depreciation	53,689	-
Total Operating Expenses	8,617,594	1,900,971
Operating Income (Loss)	(7,145,003)	336,076
NONOPERATING REVENUES		
Interest income	41,162	28,568
Grants	7,677,527	-
Total Nonoperating Revenues	7,718,689	28,568
Change in Net Assets	573,686	364,644
Total Net Assets - Beginning	4,412,677	477,829
Total Net Assets - Ending	\$ 4,986,363	\$ 842,473

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS JUNE 30, 2006

	Business-Type Activities Enterprise Funds Food Services	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 1,316,348	\$ 2,232,950
Cash payments to employees for services	(3,696,374)	-
Cash payments for insurance claims	-	(2,031,121)
Cash payments to suppliers for goods and services	(4,399,331)	-
Cash payments for facility use	(56,545)	-
Cash payments for other operating expenses	(407,772)	-
Net Cash Provided (Used) by Operating Activities	(7,243,674)	201,829
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	7,677,527	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(137,659)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	41,162	28,568
Net Increase in Cash and Cash Equivalents	337,356	230,397
Cash and Cash Equivalents - Beginning	2,983,046	873,387
Cash and Cash Equivalents - Ending	\$ 3,320,402	\$ 1,103,784
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	(7,145,003)	336,076
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	53,689	-
Changes in assets and liabilities:		
Receivables	(156,243)	(4,097)
Inventories	51,508	-
Accrued liabilities	-	(130,150)
Due to other fund	488,407	-
Accounts Payable	(536,032)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (7,243,674)	\$ 201,829

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$561,205 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, 2006

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 668,181
Stores inventories	<u>3,157</u>
Total Assets	<u><u>\$ 671,338</u></u>
LIABILITIES	
Accounts payable	41,885
Due to student groups	<u>629,453</u>
Total Liabilities	<u><u>\$ 671,338</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

JUNE 30, 2006

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.

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

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

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:

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, 2006

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, 2006

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 proprietary 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. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year.

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, 2006

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 obligations, 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, 2006, 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. Fair values of investments in county and State investment pools are determined by the program sponsor.

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, 2006

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 statement of net assets. 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, 2006

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.

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance Reserves and Designations

The District reserves those portions of fund balances 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, 2006. 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 \$69,589,773.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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.

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, 2006

Changes in Accounting Principles

In December 2004, GASB issued GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarified 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.

This Statement also specified the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement required governments to disclose the portion of total net assets that is restricted by enabling legislation. As such, the District has made all applicable required disclosures.

New Accounting Pronouncements

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 June 2005, GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45 (GASB Statement No. 45 is effective in three phases, with implementation required for Phase 1 governments in periods beginning after December 15, 2006.) For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASB Statement No. 47 is encouraged.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 84,214,277
Business-type activities	3,320,402
Fiduciary funds	668,181
Total Deposits and Investments	<u>\$ 88,202,860</u>

Deposits and investments as of June 30, 2006, consists of the following:

Cash on hand and in banks	\$ 4,111,322
Cash in revolving	21,440
Investments	84,070,098
Total Deposits and Investments	<u>\$ 88,202,860</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, 2006

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 Corporate 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 investing in the county pool and 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, 2006

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	\$ 5,186,475	N/A
Riverside County Investment Pool	78,494,374	289 Days*
Investment Agreement	2,032	5/1/2009
Total	<u>\$ 83,682,881</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. The District's investment in the county pool is not required to be rated. As of year-end, it reflected a AAA rating. Likewise, the Money Market Mutual Funds reflected a AAA rating.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA*	Unrated
Money Market Mutual Funds	\$ 5,186,475	AAA	\$ 5,186,475	\$ -
Riverside County Investment Pool	78,494,374	AAA	78,494,374	-
Investment Agreement	2,032	**	-	2,032
Total	<u>\$ 83,682,881</u>		<u>\$ 83,680,849</u>	<u>\$ 2,032</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, 2006

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, 2006, the District's bank balance of \$3,933,464 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, 2006

NOTE 3 - RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
Federal Government					
Categorical aid	\$ 5,427,546	\$ -	\$ -	\$ -	\$ 70,737
State Government					
Apportionment	2,395,835	-	-	-	63,874
Categorical aid	1,192,781	-	-	-	10,922
Lottery	565,554	-	-	-	-
Local Government					
Interest	291,530	457,821	93,366	40,311	22,542
SELPA	899,725	-	-	-	-
Other Local Sources	396,603	-	65,055	-	46,013
Total	<u>\$ 11,169,574</u>	<u>\$ 457,821</u>	<u>\$ 158,421</u>	<u>\$ 40,311</u>	<u>\$ 214,088</u>

	Internal Service Fund	Total Governmental Activities	Total Business-Type Activities
Federal Government			
Categorical aid	\$ -	\$ 5,498,283	\$ 1,298,900
State Government			
Apportionment	-	2,459,709	-
Categorical aid	-	1,203,703	113,223
Lottery	-	565,554	-
Local Government			
Interest	8,689	914,259	-
SELPA	-	899,725	-
Other Local Sources	-	507,671	5,437
Total	<u>\$ 8,689</u>	<u>\$ 12,048,904</u>	<u>\$ 1,417,560</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 9,072,608	\$ 11,251,289	\$ -	\$ 20,323,897
Construction in process	19,500,728	35,613,995	3,585,749	51,528,974
Total Capital Assets Not Being Depreciated	28,573,336	46,865,284	3,585,749	71,852,871
Capital Assets Being Depreciated				
Land improvements	5,902,322	359,730	-	6,262,052
Buildings and improvements	183,869,539	4,298,390	-	188,167,929
Furniture and equipment	13,324,504	1,204,218	5,614	14,523,108
Total Capital Assets Being Depreciated	203,096,365	5,862,338	5,614	208,953,089
Less Accumulated Depreciation				
Land improvements	2,537,773	194,332	-	2,732,105
Buildings and improvements	22,368,822	3,947,208	-	26,316,030
Furniture and equipment	7,260,799	1,141,530	5,614	8,396,715
Total Accumulated Depreciation	32,167,394	5,283,070	5,614	37,444,850
Governmental Activities Capital Assets, Net	\$ 199,502,307	\$ 47,444,552	\$ 3,585,749	\$ 243,361,110
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	295,000	-	-	295,000
Furniture and equipment	723,844	137,659	11,596	849,907
Total Capital Assets Being Depreciated	1,018,844	137,659	11,596	1,144,907
Less Accumulated Depreciation				
Buildings and improvements	5,900	5,900	-	11,800
Furniture and equipment	383,737	47,789	11,596	419,930
Total Accumulated Depreciation	389,637	53,689	11,596	431,730
Business-Type Activities Capital Assets, Net	\$ 629,207	\$ 83,970	\$ -	\$ 713,177

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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

Governmental Activities

Instruction	\$ 4,754,763
Home-to-school transportation	158,492
All other pupil services	211,323
Plant services	158,492
Total Depreciation Expenses Governmental Activities	<u>5,283,070</u>

Business-Type Activities

Food services	53,689
Total Depreciation Expenses All Activities	<u>\$ 5,336,759</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2006, between major and non-major governmental funds are as follows:

Due To	Due From					Total
	General Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Cafeteria Enterprise Fund	
General Fund	\$ -	\$ -	\$ -	\$ 157,538	\$ 488,407	\$ 645,945
Capital Facilities Fund	-	-	4,710,000	-	-	4,710,000
County School Facilities Fund	-	1,478,596	-	-	-	1,478,596
Non-Major Governmental Funds	113,651	-	-	-	-	113,651
Total	<u>\$ 113,651</u>	<u>\$ 1,478,596</u>	<u>\$ 4,710,000</u>	<u>\$ 157,538</u>	<u>\$ 488,407</u>	<u>\$ 6,948,192</u>

A balance of \$14,577 is due to the Deferred Maintenance (Non-Major Governmental) Fund from the General Fund for the State match.

A balance of \$76,185 is due to the General Fund from the Child Development (Non-Major Governmental) Fund as a contribution to fund.

A balance of \$4,710,000 is due to the Capital Facilities Fund from the County School Facilities Fund for funds committed for school building projects.

A balance of \$1,478,596 is due to the County School Facilities Fund from the Capital Facilities Fund to reimburse for construction projects.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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.

Operating Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfer To	Transfer From		
	General Fund	Capital Facilities Fund	Total
County School Facilities Fund	\$ -	\$ 4,751,596	\$ 4,751,596
Non-Major Governmental Funds	3,433,879	-	3,433,879
Total	<u>\$ 3,433,879</u>	<u>\$ 4,751,596</u>	<u>\$ 8,185,475</u>

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

Deferred Maintenance Fund for the required match and District contribution.

\$ 581,577

Adult Education Fund for lottery apportionment.

39,600

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

2,812,702

\$ 3,433,879

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

4,751,596

Total

\$ 8,185,475

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2006, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 358,418	\$ -	\$ -	\$ -	\$ 2,949	\$ 361,367
State apportionment	49,429	-	-	-	-	49,429
Salaries and benefits	162,014	-	-	-	1,477	163,491
Construction	33,436	2,338,369	33,066	1,505,210	29,991	3,940,072
Services	751,458	-	54,725	-	471	806,654
Other	16,586	-	-	-	13,207	29,793
Total	<u>\$ 1,371,341</u>	<u>\$ 2,338,369</u>	<u>\$ 87,791</u>	<u>\$ 1,505,210</u>	<u>\$ 48,095</u>	<u>\$ 5,350,806</u>

	Fiduciary Funds	Total Business-Type Activities
Services	\$ -	\$ 212,002
Other	41,885	-
Total	<u>\$ 41,885</u>	<u>\$ 212,002</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2006, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 1,183,471	\$ -	\$ 1,183,471
State categorical aid	265,841	90,565	356,406
Total	<u>\$ 1,449,312</u>	<u>\$ 90,565</u>	<u>\$ 1,539,877</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General obligation bonds	\$20,583,392	\$51,420,159	\$ 615,000	\$ 71,388,551	\$2,195,000
Premium on issuance	-	3,362,675	117,694	3,244,981	-
Certificates of participation	18,345,000	14,485,000	675,000	32,155,000	725,000
Premium on issuance	193,712	-	9,087	184,625	-
Discount on issuance	-	(94,153)	(392)	(93,761)	-
Capital leases	5,491,421	-	874,649	4,616,772	957,011
Accumulated vacation - net	1,537,295	-	9,797	1,527,498	-
Supplemental Early Retirement Plan (SERP)	4,015,246	1,770,535	1,210,732	4,575,049	1,374,027
	<u>\$50,166,066</u>	<u>\$70,944,216</u>	<u>\$3,511,567</u>	<u>\$117,598,715</u>	<u>\$5,251,038</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	Issued	Accreted	Redeemed	Bonds Outstanding End of Year
1997, Series A	8/1/97	2022	4.80-5.15%	\$ 10,000,000	\$ 8,370,000	\$ -	\$ -	\$ 285,000	\$ 8,085,000
1997, Series B	8/1/98	2023	3.70-5.28%	9,999,278	12,213,392	-	546,369	330,000	12,429,761
2005, Series A	8/19/05	2030	3.00-5.09%	49,998,180	-	49,998,180	875,610	-	50,873,790
					<u>\$ 20,583,392</u>	<u>\$ 49,998,180</u>	<u>\$ 1,421,979</u>	<u>\$ 615,000</u>	<u>\$ 71,388,551</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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, 2006, 1997 General Obligation Bonds, Series A, totaling \$8,085,000 were still outstanding.

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, 2006, 1997 General Obligation Bonds, Series B, totaling \$12,479,761 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>
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	1,000,000	-	365,716	1,365,716
2011	906,169	213,831	333,441	1,453,441
2012-2016	5,473,525	1,656,475	1,358,203	8,488,203
2017-2021	6,668,216	3,471,784	719,223	10,859,223
2022-2024	4,101,851	3,733,149	69,625	7,904,625
Total	<u>\$ 20,514,761</u>	<u>\$ 9,075,239</u>	<u>\$ 4,181,572</u>	<u>\$ 33,771,572</u>

2005 General Obligation Bonds, Series A

On August 19, 2005, the District issued, 2005 Series A, current and capital appreciation general obligation bonds in the amount of \$49,998,180 (accreting to \$52,998,180) to finance the construction, renovation and repair of District facilities. The bonds have a maturity date of August 2030, with interest yields varying from 3.00 to 5.09 percent. At June 30, 2006, the principal balance outstanding (including accreted interest to date) was \$50,873,790 and unamortized premium and issuance costs were \$3,244,981 and \$740,853, respectively.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The 2005 bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2007	\$ 1,500,000	\$ -	\$ 2,393,188	\$ 3,893,188
2008	100,000	-	2,361,187	2,461,187
2009	-	-	2,359,187	2,359,187
2010	-	-	2,359,187	2,359,187
2011	25,000	-	2,358,813	2,383,813
2012-2016	4,485,000	-	11,454,969	15,939,969
2017-2021	11,725,000	-	9,354,375	21,079,375
2022-2026	15,105,000	-	6,003,375	21,108,375
2027-2031	17,933,790	2,124,390	1,811,250	21,869,430
Total	<u>\$ 50,873,790</u>	<u>\$ 2,124,390</u>	<u>\$40,455,531</u>	<u>\$ 93,453,711</u>

The outstanding Certificates of Participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	COP		Redeemed	COP Outstanding June 30, 2006
				Outstanding July 1, 2005	Issued		
4/3/03	9/1/31	4.00% - 5.00%	\$ 15,500,000	\$ 15,200,000	\$ -	\$ 500,000	\$ 14,700,000
11/6/03	9/1/17	2.50% - 4.125%	3,500,000	3,145,000	-	175,000	2,970,000
4/11/06	9/1/36	Weekly	14,485,000	-	14,485,000	-	14,485,000
			<u>\$ 33,485,000</u>	<u>\$ 18,345,000</u>	<u>\$ 14,485,000</u>	<u>\$ 675,000</u>	<u>\$ 32,155,000</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, 2006, the principal balance outstanding was \$14,700,000 and unamortized premium and issuance costs were \$150,135 and \$425,232, respectively.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
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	700,000	566,123	1,266,123
2012-2016	2,145,000	2,483,613	4,628,613
2017-2021	1,330,000	2,176,106	3,506,106
2022-2026	2,485,000	1,762,912	4,247,912
2027-2031	4,405,000	902,875	5,307,875
2032	1,260,000	31,500	1,291,500
Total	<u>\$ 14,700,000</u>	<u>\$ 10,391,956</u>	<u>\$ 25,091,956</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, 2006, the principal balance outstanding was \$2,970,000 and unamortized premium and issuance costs were \$34,490 and \$59,326, respectively.

Year Ending June 30,	Principal	Interest	Total
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	260,000	80,124	340,124
2012-2016	1,065,000	250,497	1,315,497
2017-2018	785,000	41,010	826,010
Total	<u>\$ 2,970,000</u>	<u>\$ 759,411</u>	<u>\$ 3,729,411</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

2006 Certificates of Participation (2006 School Financing Project)

In April 2006, the District, in conjunction with the Riverside County Schools Financing Corporation, issued \$14,485,000 in 2006 Certificates of Participation (2006 School Financing Project), with variable interest rate (weekly) to finance the construction, reconstruction, modernization, and improvement of existing school facilities, finance the acquisition of real property for a school site, finance a portion of the interest evidenced by the certificates, fund a reserve fund, and pay issuance costs associated with the execution and delivery of the certificates. The 2006 Certificates have a maturity date of September 1, 2036. At June 30, 2006, the principal balance outstanding was \$14,485,000 and unamortized discount and issuance costs were \$93,761 and \$324,828, respectively.

Year Ending June 30,	Principal	Interest	Total
2007	\$ -	\$ 385,060	\$ 385,060
2008	-	434,550	434,550
2009	-	434,550	434,550
2010	290,000	430,200	720,200
2011	300,000	421,350	721,350
2012-2016	1,665,000	1,962,825	3,627,825
2017-2021	1,960,000	1,691,550	3,651,550
2022-2026	2,325,000	1,370,625	3,695,625
2027-2031	2,735,000	992,175	3,727,175
2032-2036	3,225,000	516,450	3,741,450
2037	1,985,000	59,550	2,044,550
Total	<u>\$ 14,485,000</u>	<u>\$ 8,698,885</u>	<u>\$ 23,183,885</u>

Capital Leases

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

Balance, July 1, 2005	\$ 8,339,778
Payments	<u>1,039,299</u>
Balance, July 1, 2006	<u>\$ 7,300,479</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2007	\$ 1,189,336
2008	1,054,586
2009	402,452
2010	244,953
2011	244,953
2012-2016	1,224,764
2017-2021	1,224,764
2022-2026	1,224,764
2027-2028	489,907
Total	7,300,479
Less: Amount Representing Interest	2,683,707
Present Value of Minimum Lease Payments	\$ 4,616,772

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$1,527,498.

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

Future annuity payments are as follows:

Year Ending June 30,	Total Payments
2007	\$ 1,374,027
2008	1,180,188
2009	978,163
2010	696,964
2011	345,707
Total	\$ 4,575,049

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Reserved						
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Stores inventory	98,835	-	-	-	-	98,835
Restricted programs	3,011,461	-	-	-	-	3,011,461
Other	1,000	-	-	-	-	1,000
Total Reserved	3,131,296	-	-	-	-	3,131,296
Unreserved						
Designated						
Economic uncertainties	4,332,217	-	-	-	-	4,332,217
K-12 Education Park	239,796	-	-	-	-	239,796
Open New Elementary	885,746	-	-	-	-	885,746
Future Schools	2,190,338	-	-	-	-	2,190,338
Lottery	2,072,377	-	-	-	-	2,072,377
Emergency Services	500,000	-	-	-	-	500,000
Textbook Adoption	2,547,891	-	-	-	-	2,547,891
School Site Carryover	548,712	-	-	-	-	548,712
One Time Expense						
Carryover	4,342,229	-	-	-	-	4,342,229
Future Contingencies	121,272	-	-	-	-	121,272
Vehicle Replacement	700,000	-	-	-	-	700,000
Facilities Improvements	500,000	-	-	-	-	500,000
Total Designated	18,980,578	-	-	-	-	18,980,578
Undesignated						
General Fund	157,081	-	-	-	-	157,081
Special reserve funds	-	-	-	-	631,238	631,238
Debt service funds	-	-	-	-	5,082,152	5,082,152
Capital project funds	-	44,004,245	7,957,970	1,797,626	7,105,081	60,864,922
Total Undesignated	157,081	44,004,245	7,957,970	1,797,626	12,818,471	66,735,393
Total Unreserved	19,137,659	44,004,245	7,957,970	1,797,626	12,818,471	85,715,971
Total	\$22,268,955	\$44,004,245	\$7,957,970	\$1,797,626	\$12,818,471	\$88,847,267

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2006, the following District non-major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Special Reserve Capital Outlay	\$ 2,928,813	\$14,194,208	\$11,265,395

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, 87 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 \$855,297 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, 2006, 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 2006, 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, 2006

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, 2004, to June 30, 2006:

	Dental and Vision
Liability Balance, July 1, 2004	\$ 350,000
Claims and changes in estimates	1,825,994
Claims payments	(1,775,844)
Liability Balance, June 30, 2005	400,150
Claims and changes in estimates	(1,980,688)
Claims payments	1,850,538
Liability Balance, June 30, 2006	\$ 270,000
Assets available to pay claims at June 30, 2006	\$ 1,112,473

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, 2006

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 2005-2006 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, 2006, 2005, and 2004, were \$5,041,747, \$4,435,470, and \$4,136,276, 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 2005-2006 was 9.116 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, 2006, 2005, and 2004, were \$2,116,230, \$2,082,280, and \$1,986,650, 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, 2006

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 \$108,161, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$108,161, 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 \$2,760,427 (4.517 percent of salaries subject to STRS). No contributions were made to PERS for the year ended June 30, 2006. 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, 2006.

Litigation

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECT</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
East Coachella Elementary Site	\$ 1,860,803	09/01/06
Future School Sites Coachella (40 Acres)	571,574	09/01/06
West Coachella Elementary Site	3,926,902	09/01/06
North Shore Elementary #6	166,983	01/01/07
Bobby Duke Expansion/Reconstruction	2,391,813	09/01/07
Boys & Girls Club	62,625	09/01/08
Oasis Reconstruction (Elementary #5)	118,409	09/01/08
Avenue 49 School Site	277,517	09/01/11
	<u>\$ 9,376,626</u>	

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, 2006, the District made payments of \$642,568 and \$2,992,773 to RSIA and DSSIPE, respectively, for services received.

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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, 2006

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 80,421,729	\$ 83,332,634	\$ 83,077,428	\$ (255,206)
Federal sources	24,258,693	29,682,271	25,069,593	(4,612,678)
Other State sources	20,314,068	24,500,574	25,914,718	1,414,144
Other local sources	8,200,385	9,454,544	9,850,872	396,328
Total Revenues ¹	133,194,875	146,970,023	143,912,611	(3,057,412)
EXPENDITURES				
Current				
Instruction	80,039,663	93,157,559	85,785,654	7,371,905
Instruction-related activities:				
Supervision of instruction	3,745,486	3,551,312	3,580,688	(29,376)
Instructional library, media, and technology	211,797	225,687	215,911	9,776
School site administration	16,665,499	18,970,716	17,960,920	1,009,796
Pupil services:				
Home-to-school transportation	6,517,612	7,015,467	7,191,542	(176,075)
All other pupil services	4,314,164	4,602,703	4,503,797	98,906
General administration:				
Data processing	1,176,249	1,692,922	1,366,718	326,204
All other general administration	5,994,716	8,743,488	7,497,693	1,245,795
Plant services	11,854,676	12,978,227	12,647,854	330,373
Facility acquisition and construction	-	4,113,168	1,930,831	2,182,337
Community services	60,000	133,827	101,496	32,331
Other outgo	957,909	957,909	-	957,909
Debt service				
Principal	-	-	874,649	(874,649)
Interest	-	-	69,735	(69,735)
Total Expenditures ¹	131,537,771	156,142,985	143,727,488	12,415,497
Excess (Deficiency) of Revenues Over Expenditures	1,657,104	(9,172,962)	185,123	9,358,085
Other Financing Sources (Uses):				
Transfers out	(2,199,474)	(3,410,990)	(3,433,879)	(22,889)
Other uses	-	-	(6,305)	(6,305)
Net Financing Sources (Uses)	(2,199,474)	(3,410,990)	(3,440,184)	(29,194)
NET CHANGE IN FUND BALANCES	(542,370)	(12,583,952)	(3,255,061)	9,328,891
Fund Balance - Beginning	25,524,016	25,524,016	25,524,016	-
Fund Balance - Ending	\$ 24,981,646	\$ 12,940,064	\$ 22,268,955	\$ 9,328,891

¹ On behalf payments of \$2,760,427 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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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, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards:			
Title I, Part B - Early Reading First	84.359B	N/A	\$ 701,284
Title I, Part B - Even Start Migrant Education	84.214A	N/A	419,030
Title III - Bilingual Education, Discretionary Grant	84.290U	N/A	299,666
Indian Education	84.060	N/A	7,073
Impact Aid	84.041	N/A	739,531
Passed through California Department of Education (CDE):			
California Alternate Performance Assessment	84.369	14488	55
Advance Placement Test Fee Program	84.330	14333	14,154
Adult Education Grants			
Adult Basic Education - ESL	84.002A	14508	59,400
Adult Basic Education - Adult Secondary Education	84.002A	13978	15,300
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	50,850
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants, Low Income and Neglected [1]	84.010	14329	7,734,969
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	133,405
Title I, Part A - Program Improvement District Intervention [1]	84.010A	14581	105,052
Title I, Part A - Program Improvement District Supplemental [1]	84.010A	14582	1,173,997
Title I, Part B - Reading First Program	84.357A	14328	2,278,045
Title II, Part A - Improving Teacher Quality [1]	84.367	14341	1,142,446
Title II, Part A - Principal Training [1]	84.367	14344	16,774
Title II, Part B - CA Mathematics and Science Partnership	84.366	14512	368,635
Title II, Part D - Enhancing Education Through Technology Formula Grant	84.318	14335	144,876
Title II, Part D - Enhancing Education Through Technology, Competitive Grant	84.318	14368	287,478
Title III - Immigrant Education Program	84.365A	14346	97,337
Title III - Limited English Proficiency	84.365	10084	895,381
Title IV, Part A - Safe and Drug-Free Schools	84.186	14347	123,149
Title IV, Part B - 21st Century Community Learning Centers [1]	84.287	14349	2,348,923
Title V, Part A - Innovation Education Strategies	84.298	13340	136,946
Title VI, Flexibility & Accountability - Student Identifier	84.369	14498	11,589

[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, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA 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	\$ 186,527
Passed through Riverside County Superintendent of Schools:			
Title I, Part C - Migrant Education	84.011	14326	757,028
Passed through Riverside County Office of Education:			
Individuals with Disabilities Education Act (IDEA)			
Federal Preschool	84.173A	13430	44,972
Local Assistance	84.027A	13379	1,668,088
Preschool Local Assistance	84.027A	13682	86,390
Total U.S. Department of Education			<u>22,123,350</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Basic Breakfast [1]	10.553	13390	23,074
Especially Needy Breakfast [1]	10.553	13390	1,268,260
National School Lunch Program [1]	10.555	13396	4,845,706
Meal Supplements [1]	10.555	13666	142,263
Child and Adult Care Food Program	10.558	13665	362,471
Food Distribution	10.550	13389	561,205
Total U.S. Department of Agriculture			<u>7,202,979</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	101,496
Medical Administrative Activities Program	93.778	10060	59,060
Passed through Riverside County Office of Education [2]:			
Headstart	93.600	10016	2,332,609
Early Head Start	93.600	10016	578,627
Passed through California Department of Education (CDE):			
Child Development - Federal Child Care, Center Based	93.596	13609	375,961
Child Development - Infant/Toddler Child Care Resource	93.575	13942	7,177
Child Development - Pre-Kindergarten Resource	93.575	14773	5,316
Child Development - Instructional Materials	93.575	14130	4,664

[1] Tested as a major program.

[2] Does not include District in-kind contribution of \$666,632 to meet Federal matching requirements.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Continued			
Passed through Coachella Valley Housing Coalition:			
Child Development - Federal Child Care, Center Based	93.596	13609	\$ 490,141
Total U.S. Department of Health and Human Services			3,955,051
Total Expenditures of Federal Awards			\$ 33,281,380

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2006

		Second Period ADA			
		Annual	2005-2006	2004-2005	Increase/ (Decrease)
ELEMENTARY					
Kindergarten		1,385	1,375	1,176	199
First through third		3,887	3,878	3,794	84
Fourth through sixth		3,848	3,830	3,599	231
Seventh and eighth		2,275	2,277	2,220	57
Home and hospital		3	3	3	-
Special education		284	277	242	35
Total Elementary		11,682	11,640	11,034	606
SECONDARY					
Regular classes		3,627	3,678	3,475	203
Continuation education		131	133	124	9
Home and hospital		6	6	7	(1)
Special education		176	171	172	(1)
Total Secondary		3,940	3,988	3,778	210
Total K-12		15,622	15,628	14,812	816
CLASSES FOR ADULTS					
Concurrently enrolled		25	26	18	8
Not concurrently enrolled		276	278	284	(6)
Total Classes for Adults		301	304	302	2
Grand Total		15,923	15,932	15,114	818
SUMMER SCHOOL					
Elementary			240,579	254,423	(13,844)
High School			191,147	196,441	(5,294)
Total Hours			431,726	450,864	(19,138)

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2006

Grade Level	1982-83	1986-87	2005-06	2005-06	2005-06	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	56,070	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	62,314	N/A	N/A	180	N/A	Complied
Grades 9 - 12	58,730	64,800	65,344	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 2005-2006 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, 2006

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

	County School Facilities Fund	Special Reserve Capital Outlay Fund	Internal Service Fund
FUND BALANCE			
Balance, June 30, 2006, Unaudited Actuals	\$ 9,407,611	\$ 7,331,265	\$ 1,055,432
Decrease in:			
Cash with fiscal agent	-	(226,184)	-
Accounts receivable	(7,500,000)	-	-
Increase in:			
Claims liability	-	-	(270,000)
Accounts payable	(109,985)	-	-
Cash with fiscal agent	-	-	57,041
Balance, June 30, 2006, Audited Financial Statement	<u>\$ 1,797,626</u>	<u>\$ 7,105,081</u>	<u>\$ 842,473</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

	(Budget) 2007 ¹	2006	2005	2004
GENERAL FUND				
Revenues	\$ 144,729,531	\$ 143,912,611	\$ 131,160,855	\$ 116,212,517
Other sources	-	-	35,183	1,831,308
Total Revenues and Other Sources	144,729,531	143,912,611	131,196,038	118,043,825
Expenditures	142,334,434	143,727,488	126,459,960	115,187,740
Other uses and transfers out	2,584,848	3,440,184	2,365,867	2,117,043
Total Expenditures and Other Uses	144,919,282	147,167,672	128,825,827	117,304,783
INCREASE (DECREASE) IN FUND BALANCE	\$ (189,751)	\$ (3,255,061)	\$ 2,370,211	\$ 739,042
ENDING FUND BALANCE	\$ 22,079,204	\$ 22,268,955	\$ 25,524,016	\$ 23,153,805
AVAILABLE RESERVES ²	\$ 4,347,578	\$ 4,489,298	\$ 6,250,219	\$ 5,138,162
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.00%	3.11%	4.94%	4.38%
LONG-TERM OBLIGATIONS	N/A	\$ 117,598,715	\$ 50,166,066	\$ 50,842,933
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	16,376	15,628	14,812	14,007

The General Fund balance has decreased by \$884,850 over the past two years. The fiscal year 2006-2007 budget projects a further decrease of \$189,751 (0.8 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 an operating surplus in two of the past three years and anticipates incurring an operating deficit during the 2006-2007 fiscal year. Total long-term obligations have increased by \$66,755,782 over the past two years.

Average daily attendance has increased by 1,621 over the past two years. Additional growth of 748 ADA is anticipated during fiscal year 2006-2007.

¹ Budget 2007 is included for analytical purposes only and has not been subjected to audit.

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

³ On-behalf payments of \$2,760,427 and \$2,428,481 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2006 and June 30, 2005, respectively.

⁴ Excludes Adult Education ADA.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006

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.

SUPPLEMENTARY INFORMATION - UNAUDITED

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2006

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 125,725	\$ 87,650	\$ 420,227
Receivables	129,156	66,144	7,772
Due from other funds	-	76,185	14,577
Total Assets	\$ 254,881	\$ 229,979	\$ 442,576
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,302	15,802	29,991
Due to other funds	36,729	120,809	-
Deferred revenue	-	90,565	-
Total Liabilities	39,031	227,176	29,991
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	215,850	2,803	412,585
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	215,850	2,803	412,585
Total Liabilities and Fund Balances	\$ 254,881	\$ 229,979	\$ 442,576

See accompanying note to supplementary information - unaudited.

Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 7,071,176	\$ 5,082,152	\$ 12,786,930
11,016	-	214,088
22,889	-	113,651
<u>\$ 7,105,081</u>	<u>\$ 5,082,152</u>	<u>\$ 13,114,669</u>
-	-	48,095
-	-	157,538
-	-	90,565
<u>-</u>	<u>-</u>	<u>296,198</u>
-	-	631,238
-	5,082,152	5,082,152
7,105,081	-	7,105,081
<u>7,105,081</u>	<u>5,082,152</u>	<u>12,818,471</u>
<u>\$ 7,105,081</u>	<u>\$ 5,082,152</u>	<u>\$ 13,114,669</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED JUNE 30, 2006

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 749,311	\$ -	\$ -
Federal sources	125,550	883,259	-
Other State sources	-	152,920	571,577
Other local sources	45,156	454,841	23,987
Total Revenues	<u>920,017</u>	<u>1,491,020</u>	<u>595,564</u>
EXPENDITURES			
Current			
Instruction	557,950	1,279,510	-
Instruction-related activities:			
Supervision of instruction	116,649	68,936	-
School site administration	120,121	61,417	-
General administration:			
All other general administration	36,729	64,752	-
Plant services	13,525	23,323	-
Facility acquisition and construction	-	-	1,325,891
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>844,974</u>	<u>1,497,938</u>	<u>1,325,891</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>75,043</u>	<u>(6,918)</u>	<u>(730,327)</u>
Other Financing Sources (Uses):			
Transfers in	39,600	-	581,577
Other sources	-	-	-
Net Financing			
Sources (Uses)	<u>39,600</u>	<u>-</u>	<u>581,577</u>
NET CHANGE IN FUND BALANCES	<u>114,643</u>	<u>(6,918)</u>	<u>(148,750)</u>
Fund Balance - Beginning	<u>101,207</u>	<u>9,721</u>	<u>561,335</u>
Fund Balance - Ending	<u>\$ 215,850</u>	<u>\$ 2,803</u>	<u>\$ 412,585</u>

See accompanying note to supplementary information - unaudited.

Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 749,311
-	-	1,008,809
-	18,370	742,867
117,970	3,154,067	3,796,021
<u>117,970</u>	<u>3,172,437</u>	<u>6,297,008</u>
-	-	1,837,460
-	-	185,585
-	-	181,538
8,515	-	109,996
-	-	36,848
12,402,142	-	13,728,033
675,000	615,000	1,290,000
1,108,551	1,478,201	2,586,752
<u>14,194,208</u>	<u>2,093,201</u>	<u>19,956,212</u>
<u>(14,076,238)</u>	<u>1,079,236</u>	<u>(13,659,204)</u>
2,812,702	-	3,433,879
<u>14,485,000</u>	<u>2,594,953</u>	<u>17,079,953</u>
17,297,702	2,594,953	20,513,832
3,221,464	3,674,189	6,854,628
3,883,617	1,407,963	5,963,843
<u>\$ 7,105,081</u>	<u>\$ 5,082,152</u>	<u>\$ 12,818,471</u>

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, 2006

(Dollar amounts in thousands,
except for per ADA)

	Actual Results for the Years					
	2005-2006		2004-2005		2003-2004	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 25,070	17.4	\$ 24,619	18.8	\$ 20,633	17.8
State and local revenue included in revenue limit	83,077	57.7	75,485	57.5	68,958	59.3
Other State revenue	25,915	18.0	22,849	17.4	25,656	22.1
Other local revenue	9,851	6.9	8,208	6.3	965	0.8
Total Revenues	143,913	100.0	131,161	100.0	116,212	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	61,479	42.7	53,800	41.0	49,775	42.8
Classified salaries	22,749	15.8	20,351	15.5	18,221	15.7
Employee benefits	31,295	21.8	27,228	20.8	21,084	18.1
Total Salaries and Benefits	115,523	80.3	101,379	77.3	89,080	76.6
Books and supplies	12,196	8.5	10,341	7.9	10,753	9.2
Contracts and operating expenses	12,522	8.7	11,444	8.7	9,864	8.5
Capital outlay	3,043	2.1	2,400	1.8	3,671	3.2
Other outgo	444	0.3	896	0.7	1,819	1.6
Total Expenditures	143,728	99.9	126,460	96.4	115,187	99.1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	185	0.1	4,701	3.6	1,025	0.9
OTHER FINANCING SOURCES (USES)						
Net transfers	(3,440)	(2.4)	(2,331)	(1.8)	(286)	(0.2)
INCREASE (DECREASE) IN FUND BALANCE	(3,255)	(2.3)	2,370	1.8	739	0.7
FUND BALANCE, BEGINNING	25,524		23,154		22,415	
FUND BALANCE, ENDING	\$ 22,269		\$ 25,524		\$ 23,154	

* * * * *

BASE REVENUE LIMIT PER ADA

Regular K-12	\$ 5,175	\$ 4,964	\$ 4,831
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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, 2006

(Dollar amounts in thousands)

	Actual Results for the Years					
	2005-2006		2004-2005		2003-2004	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 7,203	78.4	\$ 6,727	79.3	\$ 6,125	79.3
State meal program	475	5.2	397	4.7	365	4.7
Food sales	1,356	14.7	1,243	14.6	1,141	14.8
Other	157	1.7	122	1.4	90	1.2
Total Revenues	9,191	100.0	8,489	100.0	7,721	100.0
EXPENDITURES						
Salaries and employee benefits	4,185	45.5	3,880	45.7	3,340	43.3
Food	3,583	39.0	3,085	36.3	2,323	30.1
Supplies	101	1.1	73	0.9	136	1.7
Other	833	9.1	858	10.1	1,207	15.6
Total Expenditures	8,702	94.7	7,896	93.0	7,006	90.7
INCREASE IN FUND BALANCE	489	5.3	593	7.0	715	9.3
FUND BALANCE, BEGINNING	4,159		3,566		2,851	
FUND BALANCE, ENDING	\$ 4,648		\$ 4,159		\$ 3,566	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2005-2006		2004-2005		2003-2004	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	145,557	6.5	125,459	5.9	118,792	5.8
Reduced price	264,803	11.8	195,788	9.1	185,966	9.1
Free	1,836,348	81.7	1,821,218	85.0	1,732,392	85.1
Total Lunches	2,246,708	100.0	2,142,465	100.0	2,037,150	100.0
BREAKFAST						
Paid	32,357	3.6	22,463	2.8	24,121	3.4
Reduced price	92,252	10.2	45,195	5.6	38,825	5.4
Free	779,282	86.2	733,920	91.6	652,685	91.2
Total Breakfast	903,891	100.0	801,578	100.0	715,631	100.0

See accompanying note to supplementary information - unaudited.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2006

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.

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, 2006, which collectively comprise the Coachella Valley Unified School District's basic financial statements and have issued our report thereon dated November 3, 2006. 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 Financial Statement Findings section of the accompanying Schedule of Findings and Questioned Costs as items 2006-1 through 2006-3.

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 3, 2006.

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* which are described in the accompanying Schedule of Financial Statement Findings as items 2006-1 through 2006-3.

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.

Vavinek, Tine, Day & Co., LLP

Rancho Cucamonga, California
November 3, 2006



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2006. 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, 2006. 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 Federal Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs, as item 2006-4.

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.

Vavimark, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 3, 2006



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, 2006, and have issued our report thereon dated November 3, 2006. 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 2005-06*, issued by the California Education Audit Appeals Panel as regulations. 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's 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 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:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes

	Procedures in Audit Guide	Procedures Performed
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	2	Yes, See Below
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
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Additional Non classroom-based instruction	1	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for Independent Study because ADA was below materiality thresholds as indicated in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06* Audit Guide and, therefore, we were not required to test this area. Additionally, we did not complete procedure 2 for Alternative Pension Plans in the audit guide since the District does not have such a 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. 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. 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.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 3, 2006

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, 2006

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 p	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</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>84.010A</u>	<u>Title I, Part A - Program Improvement District Supplemental</u>
<u>84.367</u>	<u>Title II, Part A - Improving Teacher Quality</u>
<u>84.367</u>	<u>Title II, Part A - Principal Training</u>
<u>84.287</u>	<u>Title IV, Part B - 21st Century Community Learning Centers</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 998,441</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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

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

PERSONNEL

2006-1 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

The District concurs with the finding and recommendation. The District is scheduled to complete a comprehensive review of payroll and associated processes. As part of this review, the Fiscal Services staff will work with the Personnel staff to design and implement a new procedure to correct this condition.

FIXED ASSETS

2006-2 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, 2006

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

The District concurs with the finding and recommendation. The District was scheduled to implement a new fixed asset system in the 2005-06 fiscal year, but was unable to complete the implementation within the fiscal year. Implementation will be completed in the third quarter of 2006-07. Implementation of the system should meet all recommendation requirements.

ACCOUNTS RECEIVABLE

2006-3 30000

Finding

A \$7.5 million accounts receivable was accrued in the County School Facilities Fund that had no supporting documentation whether the Office of Public School Construction (OPSC) had approved an amount to be paid.

Recommendation

Accounts receivables relating to the Office of Public School Construction should only be accrued for amounts that have been determined and approved by OPSC.

District Response

The District concurs with the finding and recommendation. Accounts receivables relating to the Office of Public School Construction will only be established with appropriate documentation from OPSC.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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

Highly Qualified Paraprofessionals – Title I, Part A

2006-4 50000

Finding

We noted an employee that did not meet the qualifications for a highly qualified paraprofessional.

Recommendation

The District should ensure that paraprofessionals meet the qualification requirements as outlined in Title 34 of the Code of Federal Regulations Section 200.58(e); A high-school diploma or its recognized equivalent and meet one of the following requirements: (1) Have completed at least two years of study at an institution of higher education, (2) Have obtained an associate's or higher degree or (3) Have met a rigorous standard of quality, and can demonstrate through a formal State or local academic assessment knowledge of, and the ability to assist in instructing, reading/language arts, writing, and mathematics, or reading readiness, writing readiness, and mathematics readiness.

District Response

The District concurs with the finding and recommendation. The District is reviewing its current procedures to ensure compliance will be met going forward.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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

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.

Current Status

Not implemented. See current year Finding 2006-1.

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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

Current Status

Not implemented. See current year Finding 2006-2.

Federal Awards Findings

TIME CERTIFICATIONS – 84.010 TITLE I

2005-3 50000

Questioned Costs: \$3,897,332

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.

Current Status

Implemented.

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

2005-4 50000

Questioned Costs: \$977,663

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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.

Current Status

Implemented.

State Awards Findings

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.

Current Status

Implemented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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.

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.

Current Status

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.

Current Status

Implemented.

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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, 2006, 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 3, 2006, on the financial statements of Coachella Valley Unified School District.

INTERNAL CONTROLS

Purchasing

Finding

We noted that the District did not document properly procedures followed when one change order exceeded ten percent of the original contracted amount.

Recommendation

The District needs to strengthen the controls over large purchases to ensure compliance with the public bid requirements. A checklist of the requirements should be maintained to ensure all requirements are followed for purchases subject to public bid requirements.

STUDENT BODY FUNDS

Coachella Valley High School

Stale Dated Checks

Finding

In reviewing the site's outstanding check listing for the December reconciliation, we noted three checks, totaling \$735, were outstanding for over six months making the probability of them clearing the account quite low.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the likelihood of these checks clearing is low, the check may still clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

Revenue Potentials

Finding

Revenue potential forms are not being completed consistently to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. The revenue potential form also indicates whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.

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

Vavinsk, Time, Day & Co., LLP

Rancho Cucamonga, California
November 3, 2006