

**COACHELLA VALLEY UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
OF RIVERSIDE COUNTY
THERMAL, CALIFORNIA
JUNE 30, 2008

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
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Mr. Foch "Tut" Pensis	Superintendent
Mr. Richard Alvarez	Assistant Superintendent, Educational Services
Mrs. Jamie Brown	Assistant Superintendent, Business Services
Mrs. Carey Carlson	Assistant Superintendent, Support Services

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Coachella Valley Unified School District
Thermal, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District (the "District") as of and for the year ended June 30, 2008, 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 2007-08* 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, 2008, 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 December 9, 2008, 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 58, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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 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.

VANANSE TRINER, DRY & CO, LLP

Rancho Cucamonga, California
December 9, 2008



COACHELLA VALLEY UNIFIED SCHOOL DISTRICT
87-225 CHURCH STREET ♦ P.O. BOX 847 ♦ THERMAL, CA 92274 ♦ (760) 399-5137 ♦ FAX (760) 399-1052
FOCH PENSIS, SUPERINTENDENT

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, 2008. 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 capital assets) 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 Activities* 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, 2008

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.

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 food service program is included here.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District experienced an increase of approximately \$13 million in General Fund revenues due to student population growth and additional State Categorical Funding.
- Completed construction of Sea View Elementary School in Salton Sea.
- Completed construction and expansion of Bobby Duke Middle School in Coachella.
- Began construction to replace Oasis Elementary School in Thermal.
- Began and completed construction on the modernization and expansion of Mecca Elementary School in Mecca.
- Begin Phase II modernization project of Coachella Valley High School.
- Completed construction of the Aquatic Center at the K-12 school in Thermal.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$275.4 million for the fiscal year ended June 30, 2008. Of this amount, \$17.2 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 103.2	\$ 121.1	\$ 4.8	\$ 5.2	\$ 108.0	\$ 126.3
Capital assets	351.7	306.6	1.9	0.6	353.6	307.2
Total Assets	454.9	427.7	6.7	5.8	461.6	433.5
Current liabilities	16.3	16.5	0.2	0.2	16.5	16.7
Long-term obligations	169.7	167.5	-	-	169.7	167.5
Total Liabilities	186.0	184.0	0.2	0.2	186.2	184.2
Net assets						
Invested in capital assets, net of related debt	223.0	206.2	-	-	223.0	206.2
Restricted	35.2	17.5	-	-	35.2	17.5
Unrestricted	10.7	20.0	6.5	5.6	17.2	25.6
Total Net Assets	\$ 268.9	\$ 243.7	\$ 6.5	\$ 5.6	\$ 275.4	\$ 249.3

The \$17.2 million in unrestricted net assets represents *the accumulated* results of all past years' operations. The increase in "Current and other assets" resulted from a significant increase in new State programs, which were primarily one time grants. The increase in the balance represents funds not yet spent from those programs, as well as expansion in the District's programs overall. The increase in "Capital assets" represents the completion of Sea View Elementary School, expansion and modernization projects at Mecca Elementary and Coachella Valley High School, as well as Bobby Duke Middle School. The increase in "Current liabilities" is related to construction costs for the new schools, as well as revenue received from the State, but not yet earned under the terms of the funding.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 2.6	\$ 1.7	\$ 1.2	\$ 1.5	\$ 3.8	\$ 3.2
Operating grants and contributions	59.0	5.3	9.8	9.0	68.8	14.3
Capital grants and contributions	30.8	12.1	-	-	30.8	12.1
General revenues:						
Federal and State aid not restricted	96.1	92.1	-	-	96.1	92.1
Property taxes	24.4	19.9	-	-	24.4	19.9
Other general revenues	15.3	16.6	-	-	15.3	16.6
Total Revenues	228.2	147.7	11.0	10.5	239.2	158.2
Expenses						
Instruction-related	134.9	123.5	-	-	134.9	123.5
Student support services	15.9	13.5	10.1	9.9	26.0	23.4
Administration	9.5	9.4	-	-	9.5	9.4
Plant services	16.4	14.1	-	-	16.4	14.1
Other	26.3	6.6	-	-	26.3	6.6
Total Expenses	203.0	167.1	10.1	9.9	213.1	177.0
Change in Net Assets	\$ 25.2	\$ (19.4)	\$ 0.9	\$ 0.6	\$ 26.1	\$ (18.8)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$203.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$24.4 million because the cost was paid by those who benefited from the programs (\$2.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$89.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$111.4 million in Federal and State unrestricted funds and with other revenues, such as interest and general entitlements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

In Table 3, we have presented the cost and net 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, interest on long-term obligations and all other functions. 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	
	2008	2007	2008	2007
Instruction	\$ 108.6	\$ 99.9	\$ 42.2	\$ 56.9
Instruction-related activities	26.3	23.5	11.3	8.8
Home-to-school transportation	9.4	8.1	5.4	4.4
Other pupil services	6.5	5.4	3.9	3.7
General administration	9.5	9.4	7.8	7.6
Maintenance and operations	16.4	14.1	15.9	13.8
Facility acquisition and construction	18.4	-	18.5	-
Interest on long-term obligations	7.2	6.0	7.2	5.9
Other	0.7	0.7	(1.5)	(0.8)
Totals	\$ 203.0	\$ 167.1	\$ 110.7	\$ 100.3

Changes in the cost of services reflect the steady growth of the student population as well as the increases in the cost of providing services.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$86.7 million, which is a decrease of \$17.1 million from last year.

Table 4

(Amounts in millions)	Fund Balance			
	July 1, 2007	Revenues	Expenditures	June 30, 2008
General Fund	\$ 25.2	\$ 182.9	\$ 183.5	\$ 24.6
Building Fund	38.2	1.2	18.6	20.8
County School Facilities Fund	1.7	33.2	22.7	12.2
Special Reserve For Capital Outlay Fund	26.0	13.3	21.0	18.3
Adult Education Fund	0.2	1.3	1.2	0.3
Deferred Maintenance Fund	0.4	1.3	1.6	0.1
Capital Facilities Fund	5.6	3.5	5.9	3.2
Bond Interest and Redemption Fund	6.4	5.8	5.1	7.1
Other Non-Major Governmental Funds	0.1	2.3	2.3	0.1
Totals	\$ 103.8	\$ 244.8	\$ 261.9	\$ 86.7

The primary reasons for these increases are:

- a. The decrease of \$.7 million in the General Fund is primarily due to spending down funds in programs that are restricted to specific uses.
- b. The decrease of \$17.4 million in the Building Fund is due to construction expenditures for Sea View Elementary, Oasis Elementary and Bobby Duke Middle School.
- c. The decrease in the Capital Facilities Fund of \$2.4 million is due to construction expenditures for Sea View Elementary.
- d. The increase in the County School Facilities Fund of \$10.3 million is due to receipts of State Matching Funds for construction expenditures for Sea View Elementary, Oasis Elementary, Mecca Elementary and Bobby Duke Middle School.
- e. The decrease in the Special Reserve for Capital Outlay Fund of \$7.7 million is due primarily to the modernization and expansion at Bobby Duke Middle School, Coachella Valley High School and construction at Sea View Elementary.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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 September 11, 2008 (see page 58).

- Significant revenue revisions made to the 2007-2008 budget were due to enrollment growth which increased Revenue Limit sources and additional State Categorical Funds.
- Budgeted expenditures for one-time purposes increased by \$9.9 million due to carryover from 2007-2008, and transfer of board designated reserves to budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had \$353.6 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 \$46.4 million, or 15.1 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land and construction in process	\$ 82.3	\$ 48.0	\$ -	\$ -	\$ 82.3	\$ 48.0
Buildings and improvements	262.7	253.0	1.2	0.3	263.9	253.3
Furniture and equipment	6.7	5.6	0.7	0.3	7.4	5.9
Totals	\$ 351.7	\$ 306.6	\$ 1.9	\$ 0.6	\$ 353.6	\$ 307.2

Financing for these capital projects came from general obligation bonds, State construction match funding, certificates of participation, redevelopment revenues, and general funds.

One capital project is planned for completion in the 2008-2009 year; the replacement of Oasis Elementary School. We anticipate capital additions to be approximately \$14 million for the 2008-2009 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

In addition to those projects, the District is expanding warehouse facilities to handle the growing needs in food services. Construction will continue in the 2008-2009 fiscal year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Long-Term Obligations

At the end of this year, the District had \$169.7 million in obligations versus \$167.5 million last year, an increase of 1.3 percent. Those bonds consisted of:

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds						
(Financed with property taxes)	\$ 103.4	\$ 104.8	\$ -	\$ -	\$ 103.4	\$ 104.8
Certificates of participation	55.4	56.6	-	-	55.4	56.6
Capitalized lease obligations	5.7	0.9	-	-	5.7	0.9
Other	5.2	5.2	-	-	5.2	5.2
Totals	\$ 169.7	\$ 167.5	\$ -	\$ -	\$ 169.7	\$ 167.5

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 \$103.4 million is significantly below the \$423 million statutorily-imposed limit.

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-2008 ARE NOTED BELOW:

The District achieved a total student growth of 5.7 percent (998 students), thereby increasing State funding and increasing the instructional work force with additional teachers and support staff.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenue Assumptions

1. 2007-2008 Revenue Limit

◆ 5.92 percent COLA, zero percent deficit	
◆ Base Revenue Limit per ADA Statutory	\$ 5,538.67
◆ COLA	252.00
	<u>\$ 5,790.67</u>
◆ Deficit	<u>\$ -</u>
◆ Revenue Limit ADA of 17,525.74 an increase of 998.38 ADA or 5.7 percent over 2006-2007	
◆ Class Size Reduction: Per K-3 enrolled students (Option 1)	

Expenditure Assumptions

2. Salaries and Benefits

◆ Salary Increase - All employees	5%
◆ Step and Column	1.5%
◆ Health and Welfare Increase	10%

Growth Positions

◆ Added 30 teachers	30	
◆ Crisis Counselor	1	West Shores HS
◆ Principals	2	Bobby Duke/Sea View
◆ Assistant Principal	1	West Shores HS
◆ Counselor	1	Bobby Duke/Sea View
◆ High School Secretary	1	West Shores HS
◆ Office Assistants	2	Bobby Duke/Sea View
◆ Custodian/Maintenance	1	Bobby Duke/Sea View
◆ Custodians	3	Bobby Duke/Sea View/West Shores HS
◆ Gardener	1	Bobby Duke/Sea View
◆ Systems Technician	1	District Office
◆ Store Keeper	1	District Office
◆ Campus Security	2	Bobby Duke/West Shores HS
◆ Maintenance Worker	1	Bobby Duke
◆ Bus Driver	1	

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Special Education Program

◆ Teachers	7
◆ Registered Nurse	1
◆ Psychologist	1
◆ Bilingual Speech Aide	1
◆ Behavior Aids	3
◆ Instructional Aids	7
◆ Office Assistant III	1
◆ Bus Drivers	2
◆ Adaptive P.E. Instructor	1

3. Operating Expenses

◆ Substitute Teachers	3.6%	\$ 85,668
◆ Certificated SERP		\$ 300,843
◆ Classified SERP		\$ 107,534
◆ School Resource Officer		\$ 110,000
◆ Utilities Increase	7.9%	\$ 290,256
◆ Fuel Cost Increase	33.5%	\$ 335,998
◆ Property and Liability Insurance Increase	14.5%	\$ 101,201
◆ Increased Contributions to Restricted Programs		
◆ Special Education		\$ 1,077,785
◆ Home-to-School/Special Education Transportation		\$ 629,787
◆ Restricted Maintenance	14.8%	\$ 644,537

4. Reserves

◆ Future Schools	Previous	\$ 646,181
◆ Future Capital Outlay for New Schools		(646,181)
	Balance	<u>\$ -</u>

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 Jamie Brown, Assistant Superintendent, Business Services, at Coachella Valley Unified School District, Thermal, California, or e-mail at jamie.brown@coachella.k12.ca.us.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 72,235,800	\$ 3,531,550	\$ 75,767,350
Receivables	22,883,631	1,573,710	24,457,341
Internal balances	592,609	(592,609)	-
Stores inventories	55,205	312,386	367,591
Restricted assets - investments	5,122,432	-	5,122,432
Deferred cost on issuance	2,264,679	-	2,264,679
Capital assets			
Land and construction in process	82,354,313	-	82,354,313
Other capital assets	317,883,563	2,651,245	320,534,808
Less: Accumulated depreciation	(48,500,706)	(736,887)	(49,237,593)
Total Capital Assets	<u>351,737,170</u>	<u>1,914,358</u>	<u>353,651,528</u>
Total Assets	<u>454,891,526</u>	<u>6,739,395</u>	<u>461,630,921</u>
LIABILITIES			
Accounts payable	9,970,938	199,142	10,170,080
Accrued interest payable	3,063,580	-	3,063,580
Deferred revenue	3,197,488	-	3,197,488
Long-term obligations			
Current portion of long-term obligations	5,269,443	-	5,269,443
Noncurrent portion of long-term obligations	164,444,761	-	164,444,761
Total Long-Term Obligations	<u>169,714,204</u>	<u>-</u>	<u>169,714,204</u>
Total Liabilities	<u>185,946,210</u>	<u>199,142</u>	<u>186,145,352</u>
NET ASSETS			
Invested in capital assets, net of related debt	223,008,327	-	223,008,327
Restricted for:			
Debt service	4,023,944	-	4,023,944
Capital projects	20,920,501	-	20,920,501
Educational programs	9,929,974	-	9,929,974
Other activities	412,234	-	412,234
Unrestricted	10,650,336	6,540,253	17,190,589
Total Net Assets	<u>\$ 268,945,316</u>	<u>\$ 6,540,253</u>	<u>\$ 275,485,569</u>

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, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 108,572,962	\$ 486,919	\$ 35,149,884	\$ 30,751,474
Instruction-related activities:				
Supervision of instruction	4,227,915	343	3,005,071	-
Instructional library, media and technology	302,950	-	6,250	-
School site administration	21,827,599	42,515	12,030,706	-
Pupil services:				
Home-to-school transportation	9,342,469	251,554	3,676,400	-
All other pupil services	6,519,040	188,303	2,387,131	-
General administration:				
Data processing	2,388,515	-	-	-
All other general administration	7,143,833	6,303	1,700,827	-
Plant services	16,374,383	43,552	414,467	-
Facility acquisition and construction	18,463,065	-	-	-
Ancillary services	10,847	-	-	-
Interest on long-term obligations	7,176,647	-	-	-
Other outgo	679,763	1,619,663	606,766	-
Total Governmental Activities	203,029,988	2,639,152	58,977,502	30,751,474
Business-Type Activities:				
Food services	10,122,034	1,230,215	9,734,820	-
Total Business-Type Activities	10,122,034	1,230,215	9,734,820	-
Total School District	\$ 213,152,022	\$ 3,869,367	\$ 68,712,322	\$ 30,751,474

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
\$ (42,184,685)	\$ -	\$ (42,184,685)
(1,222,501)	-	(1,222,501)
(296,700)	-	(296,700)
(9,754,378)	-	(9,754,378)
(5,414,515)	-	(5,414,515)
(3,943,606)	-	(3,943,606)
(2,388,515)	-	(2,388,515)
(5,436,703)	-	(5,436,703)
(15,916,364)	-	(15,916,364)
(18,463,065)	-	(18,463,065)
(10,847)	-	(10,847)
(7,176,647)	-	(7,176,647)
1,546,666	-	1,546,666
<u>(110,661,860)</u>	<u>-</u>	<u>(110,661,860)</u>
-	843,001	843,001
-	843,001	843,001
<u>(110,661,860)</u>	<u>843,001</u>	<u>(109,818,859)</u>
18,882,182	-	18,882,182
5,506,068	-	5,506,068
96,107,187	-	96,107,187
3,166,684	77,594	3,244,278
8,000	-	8,000
12,161,320	-	12,161,320
<u>135,831,441</u>	<u>77,594</u>	<u>135,909,035</u>
25,169,581	920,595	26,090,176
243,775,735	5,619,658	249,395,393
<u>\$ 268,945,316</u>	<u>\$ 6,540,253</u>	<u>\$ 275,485,569</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008**

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 18,301,102	\$ 21,611,754	\$ 11,312,135
Receivables	18,965,308	199,538	2,836,067
Due from other funds	883,610	73,810	-
Stores inventories	55,205	-	-
Total Assets	\$ 38,205,225	\$ 21,885,102	\$ 14,148,202
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,342,371	\$ 1,052,700	\$ 1,966,751
Due to other funds	4,034,718	-	-
Deferred revenue	3,193,481	-	-
Total Liabilities	13,570,570	1,052,700	1,966,751
FUND BALANCES			
Reserved for:			
Revolving cash	21,000	-	-
Stores inventories	55,205	-	-
Restricted programs	9,929,974	-	-
Unreserved:			
Designated	13,535,869	-	-
Undesignated, reported in:			
General Fund	1,092,607	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	20,832,402	12,181,451
Total Fund Balance	24,634,655	20,832,402	12,181,451
Total Liabilities and Fund Balances	\$ 38,205,225	\$ 21,885,102	\$ 14,148,202

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

Special Reserve For Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 14,401,240	\$ 10,696,724	\$ 76,322,955
112,096	543,687	22,656,696
3,960,722	186	4,918,328
-	-	55,205
<u>\$ 18,474,058</u>	<u>\$ 11,240,597</u>	<u>\$ 103,953,184</u>
\$ 201,000	\$ 227,036	\$ 9,789,858
-	291,001	4,325,719
-	4,007	3,197,488
<u>201,000</u>	<u>522,044</u>	<u>17,313,065</u>
-	-	21,000
-	-	55,205
-	-	9,929,974
-	-	13,535,869
-	-	1,092,607
-	412,234	412,234
-	7,087,524	7,087,524
18,273,058	3,218,795	54,505,706
<u>18,273,058</u>	<u>10,718,553</u>	<u>86,640,119</u>
<u>\$ 18,474,058</u>	<u>\$ 11,240,597</u>	<u>\$ 103,953,184</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balance - Governmental Funds	\$ 86,640,119
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	\$400,237,876
Accumulated depreciation is	<u>(48,500,706)</u>
Net Capital Assets	351,737,170
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.	2,264,679
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.	(3,063,580)
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:	780,052
Long-term obligations at year-end consist of:	
General obligation bonds	93,982,458
Unamortized premium on general obligation bonds	4,753,372
Certificates of participation	53,830,000
Unamortized premium on certificates of participation	1,672,249
Unamortized discount on certificates of participation	(87,484)
Capital lease obligations	5,680,002
Compensated absences	2,275,895
Supplemental Early Retirement Plan	2,558,502
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	4,748,130
Total Long-Term Obligations	<u>(169,413,124)</u>
Total Net Assets - Governmental Activities	<u>\$ 268,945,316</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, 2008**

	General Fund	Building Fund
REVENUES		
Revenue limit sources	\$ 101,545,166	\$ -
Federal sources	20,957,481	-
Other State sources	45,194,146	-
Other local sources	14,538,182	1,254,492
Total Revenues	182,234,975	1,254,492
EXPENDITURES		
Current		
Instruction	102,426,096	-
Instruction-related activities:		
Supervision of instruction	3,946,070	-
Instructional library, media and technology	301,481	-
School site administration	22,136,649	-
Pupil services:		
Home-to-school transportation	9,165,735	-
All other pupil services	6,347,038	-
General administration:		
Data processing	2,376,546	-
All other general administration	6,969,554	-
Plant services	15,983,581	-
Facility acquisition and construction	3,870,654	18,577,434
Ancillary services	10,847	-
Other outgo	679,763	-
Debt service		
Principal	976,402	-
Interest and other	22,861	-
Total Expenditures	175,213,277	18,577,434
Excess (Deficiency) of Revenues Over Expenditures	7,021,698	(17,322,942)
Other Financing Sources (Uses):		
Transfers in	-	-
Other sources	715,916	-
Transfers out	(8,298,856)	-
Net Financing Sources (Uses)	(7,582,940)	-
NET CHANGE IN FUND BALANCES	(561,242)	(17,322,942)
Fund Balance - Beginning	25,195,897	38,155,344
Fund Balance - Ending	\$ 24,634,655	\$ 20,832,402

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

County School Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,131,180	\$ 102,676,346
-	-	1,171,288	22,128,769
30,536,210	-	1,068,007	76,798,363
215,264	689,689	9,855,666	26,553,293
<u>30,751,474</u>	<u>689,689</u>	<u>13,226,141</u>	<u>228,156,771</u>
-	-	2,456,836	104,882,932
-	-	268,026	4,214,096
-	-	-	301,481
-	-	254,222	22,390,871
-	-	-	9,165,735
-	-	-	6,347,038
-	-	-	2,376,546
-	-	134,543	7,104,097
-	-	185,047	16,168,628
22,673,748	17,535,248	4,885,500	67,542,584
-	-	-	10,847
-	-	-	679,763
-	1,100,000	1,740,000	3,816,402
-	2,329,053	3,636,736	5,988,650
<u>22,673,748</u>	<u>20,964,301</u>	<u>13,560,910</u>	<u>250,989,670</u>
<u>8,077,726</u>	<u>(20,274,612)</u>	<u>(334,769)</u>	<u>(22,832,899)</u>
2,402,359	7,615,274	958,582	10,976,215
-	5,000,000	-	5,715,916
-	(100,000)	(2,577,359)	(10,976,215)
<u>2,402,359</u>	<u>12,515,274</u>	<u>(1,618,777)</u>	<u>5,715,916</u>
10,480,085	(7,759,338)	(1,953,546)	(17,116,983)
1,701,366	26,032,396	12,672,099	103,757,102
<u>\$ 12,181,451</u>	<u>\$ 18,273,058</u>	<u>\$ 10,718,553</u>	<u>\$ 86,640,119</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, 2008

Total Net Change in Fund Balances - Governmental Funds **\$ (17,116,983)**

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	\$ 49,079,519	
Depreciation expense	<u>(3,893,354)</u>	
Net Expense Adjustment		45,186,165

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

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

(5,715,916)

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 more than the amount added by \$642,520. Vacation used was less than the amounts earned by \$276,480.

366,040

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

General obligation bonds	1,740,000
Certificates of participation	1,100,000
Capital lease obligations	976,402

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, 2008

Amortization of debt premium	\$ 275,288	
Amortization of debt discount	(3,139)	
Amortization of cost of issuance	(97,659)	
Combined Adjustment	\$ 174,490	
<p>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 \$707,979, and second, \$654,508 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.</p>		
		(1,362,487)
<p>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.</p>		
Change in Net Assets of Governmental Activities		(178,130)
		\$ 25,169,581

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, 2008**

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Service	
ASSETS		
Current Assets		
Deposits and investments	\$ 3,531,550	\$ 1,035,277
Receivables	1,573,710	226,935
Stores inventories	312,386	-
Total Current Assets	5,417,646	1,262,212
Noncurrent Assets		
Capital assets	2,651,245	-
Less: accumulated depreciation	(736,887)	-
Total Noncurrent Assets	1,914,358	-
Total Assets	7,332,004	1,262,212
LIABILITIES		
Current Liabilities		
Accounts payable	199,142	181,080
Due to other funds	592,609	-
Current portion of claim liability	-	301,080
Total Current Liabilities	791,751	482,160
NET ASSETS		
Invested in capital assets, net of related debt	1,914,358	-
Unrestricted	4,625,895	780,052
Total Net Assets	\$ 6,540,253	\$ 780,052

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, 2008**

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Service	
OPERATING REVENUES		
Charges for services	\$ 1,110,393	\$ -
Charges to other funds and miscellaneous revenues	119,822	2,606,263
Total Operating Revenues	1,230,215	2,606,263
OPERATING EXPENSES		
Payroll costs	5,123,300	68,172
Professional and contract services	201,133	2,759,019
Supplies and materials	4,095,261	-
Facility rental	93,397	-
Other operating cost	426,814	-
Depreciation	182,129	-
Total Operating Expenses	10,122,034	2,827,191
Operating Loss	(8,891,819)	(220,928)
NONOPERATING REVENUES		
Interest income	77,594	42,798
Grants	9,734,820	-
Total Nonoperating Revenues	9,812,414	42,798
Change in Net Assets	920,595	(178,130)
Total Net Assets - Beginning	5,619,658	958,182
Total Net Assets - Ending	\$ 6,540,253	\$ 780,052

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2008**

	Business-Type Activities Enterprise Funds Food Services	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,127,902	\$ 2,589,799
Cash payments to employees for services	(5,483,559)	-
Cash payments to suppliers for goods and services	(3,631,015)	-
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	-	(2,541,859)
Cash payments for facility use	(93,397)	-
Other operating cash payments	(426,814)	(68,172)
Net Cash Used by Operating Activities	<u>(8,506,883)</u>	<u>(20,232)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	8,961,022	-
Net Cash Provided from Noncapital Financing Activities	<u>8,961,022</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,448,511)	-
Net Cash Used for Capital and Related Financing Activities	<u>(1,448,511)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	77,594	42,798
Net Cash Provided from Investing Activities	<u>77,594</u>	<u>42,798</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(916,778)	22,566
Cash and Cash Equivalents - Beginning	4,448,328	1,012,711
Cash and Cash Equivalents - Ending	<u>\$ 3,531,550</u>	<u>\$ 1,035,277</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (8,891,819)	\$ (220,928)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	182,129	-
Commodities used	773,798	-
Changes in assets and liabilities:		
Receivables	(102,313)	(16,464)
Inventories	(68,588)	-
Accounts payable	(39,831)	181,080
Due to other fund	(360,259)	-
Claim liabilities	-	36,080
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (8,506,883)</u>	<u>\$ (20,232)</u>
NONCASH, NONCAPITAL FINANCING ACTIVITIES		
During the year, the District received \$773,798 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, 2008**

	Agency Funds
	<u> </u>
ASSETS	
Deposits and investments	\$ 550,444
	<u> </u>
LIABILITIES	
Accounts payable	\$ 26,717
Due to student groups	523,727
Total Liabilities	<u>\$ 550,444</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 14 K-6 schools, three 7-8 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 four Headstart programs, 13 State Preschools, nine child care centers, and teen parenting programs at two four-year high schools.

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. For financial reporting purposes, the component unit has a financial and operational relationship, which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because their purpose is to acquire real property to be used for the benefit of the District.

The District has financial and operational relationships with the Coachella Valley Unified School District Property Acquisition Corporation (PAC) which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as component units of the District. Accordingly, the financial activities of the PAC have been included in the Capital Project Fund for Blended Component Units of the District's financial statements.

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 such component units.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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. Additional information is presented in Note 14 to the Financial Statements. These organizations are:

Riverside Schools Insurance Authority (RSIA)
Riverside Schools Risk Management Authority (RSRMA)

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code* sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* sections 17620-17626. Expenditures are restricted to the purposes specified in *Government Code* sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Capital Project Fund for Blended Component Units This fund is used to account for the acquisition of real property financed by the Coachella Valley Unified School District Property Acquisition Corporation which is considered a blended component unit of the LEA under Generally Accepted Accounting Principles (GAAP).

Debt Service Funds The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* sections 15125-15262).

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:

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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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 programs 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 a dental and vision program, that is 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, and excludes fiduciary activity. 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. Eliminations have been made to minimize the double counting of internal activities.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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. 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.

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.

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.

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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, 2008, 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.

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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2008

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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008. 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 \$35,286,653.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

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, 2008

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 2007, GASB issued GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

In June 2008, GASB issued GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments, Including Restricted Assets - Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 77,358,232 *
Business-type activities	3,531,550
Fiduciary funds	550,444
Total Deposits and Investments	<u>\$ 81,440,226</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 4,192,107
Cash in revolving	22,675
Investments	77,225,444 *
Total Deposits and Investments	<u>\$ 81,440,226</u>

* \$5,122,432 of these balances represent Restricted Assets - Investments as reflected on the Statement of Net Assets.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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.

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, 2008

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	Amortized Cost	Fair Value	Maturity Date/ Average Maturity in Days
First American Treasury Obligations	\$ 7,019,684	\$ 7,019,684	19 days
Riverside County Investment Pool	65,290,840	65,309,772	445 days
Investment Agreement	354,299	354,299	9/1/2017
Investment Agreement	1,210,676	1,210,676	9/1/2022
Investment Agreement	2,078,933	2,078,933	8/28/2035
Investment Agreement	1,271,012	1,271,012	5/1/2009
Total	<u>\$ 77,225,444</u>	<u>\$ 77,244,376</u>	

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. While the District's investment in the county pool is not required to be rated, as of year-end it reflected an Aaa rating by Moody's. Likewise, the First American Treasury Obligations Money Market Mutual Funds reflected an Aaa rating by Moody's. Investment Agreements were not 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.

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, 2008, the District's bank balance of \$4,424,617 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, 2008**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Special Reserve For Capital Outlay Fund	Non-Major Governmental Funds
Federal Government					
Categorical aid	\$ 4,827,909	\$ -	\$ -	\$ -	\$ 117,812
State Government					
Apportionment	7,282,897	-	-	-	262,531
Categorical aid	3,390,932	-	2,725,377	-	38,089
Lottery	1,122,107	-	-	-	-
Local Government					
Interest	282,012	199,538	99,535	12,096	6,805
SELPA	628,110	-	-	-	-
City of Coachella	460,721	-	-	-	-
Other Local Sources	970,620	-	11,155	100,000	118,450
Total	<u>\$ 18,965,308</u>	<u>\$ 199,538</u>	<u>\$ 2,836,067</u>	<u>\$ 112,096</u>	<u>\$ 543,687</u>

	Internal Service Fund	Total Governmental Activities	Cafeteria Enterprise Fund
Federal Government			
Categorical aid	\$ -	\$ 4,945,721	\$ 1,458,314
State Government			
Apportionment	-	7,545,428	-
Categorical aid	-	6,154,398	95,319
Lottery	-	1,122,107	-
Local Government			
Interest	8,810	608,796	-
SELPA	-	628,110	-
City of Coachella	-	460,721	-
Other Local Sources	218,125	1,418,350	20,077
Total	<u>\$ 226,935</u>	<u>\$ 22,883,631</u>	<u>\$ 1,573,710</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 23,138,329	\$ 6,500,000	\$ -	\$ 29,638,329
Construction in process	24,848,393	35,404,407	7,536,816	52,715,984
Total Capital Assets Not Being Depreciated	<u>47,986,722</u>	<u>41,904,407</u>	<u>7,536,816</u>	<u>82,354,313</u>
Capital Assets Being Depreciated				
Land improvements	6,507,213	2,492,202	-	8,999,415
Buildings and improvements	280,679,916	10,719,024	-	291,398,940
Furniture and equipment	15,984,506	1,500,702	-	17,485,208
Total Capital Assets Being Depreciated	<u>303,171,635</u>	<u>14,711,928</u>	<u>-</u>	<u>317,883,563</u>
Less Accumulated Depreciation				
Land improvements	3,016,774	183,547	-	3,200,321
Buildings and improvements	31,194,405	3,309,601	-	34,504,006
Furniture and equipment	10,396,173	400,206	-	10,796,379
Total Accumulated Depreciation Governmental Activities Capital Assets, Net	<u>\$ 306,551,005</u>	<u>\$ 52,722,981</u>	<u>\$ 7,536,816</u>	<u>\$ 351,737,170</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 295,000	\$ 1,134,888	\$ -	\$ 1,429,888
Furniture and equipment	907,734	313,623	-	1,221,357
Total Capital Assets Being Depreciated	<u>1,202,734</u>	<u>1,448,511</u>	<u>-</u>	<u>2,651,245</u>
Less Accumulated Depreciation				
Buildings and improvements	17,700	160,509	-	178,209
Furniture and equipment	537,058	21,620	-	558,678
Total Accumulated Depreciation Business-Type Activities Capital Assets, Net	<u>\$ 647,976</u>	<u>\$ 1,266,382</u>	<u>\$ -</u>	<u>\$ 1,914,358</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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

Governmental Activities

Instruction	\$ 3,504,018
Home-to-school transportation	116,801
All other pupil services	155,734
Plant services	116,801
Total Depreciation Expenses Governmental Activities	<u>3,893,354</u>

Business-Type Activities

Food services	182,129
Total Depreciation Expenses All Activities	<u><u>\$ 4,075,483</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major funds, non-major governmental funds, and non-major enterprise funds are as follows:

Due From	Due To			Total
	General Fund	Non-Major Governmental Funds	Cafeteria Enterprise Fund	
General Fund	\$ -	\$ 291,001	\$ 592,609	\$ 883,610
Building Fund	73,810	-	-	73,810
Special Reserve For Capital Outlay Fund	3,960,722	-	-	3,960,722
Non-Major Governmental Funds	186	-	-	186
Total	<u>\$ 4,034,718</u>	<u>\$ 291,001</u>	<u>\$ 592,609</u>	<u>\$ 4,918,328</u>

The balance of \$73,810 is due to the Building Fund from the General Fund for construction costs.

A balance of \$460,722 is due to the Special Reserve for Capital Outlay Fund from the General Fund for redevelopment monies.

The balance of \$186 is due to the Adult Education Non-Major Governmental Fund from the General Fund for construction costs.

A balance of \$3,500,000 is due to the Special Reserve for Capital Outlay Fund from the General Fund for construction costs.

A balance of \$93,814 is due to the General Fund from the Adult Education Non-Major Governmental Fund for indirect costs and reimbursement of costs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

A balance of \$97,187 is due to the General Fund from the Child Development (Non-Major Governmental) Fund for indirect costs and reimbursement of costs.

A balance of \$100,000 is due to the General Fund from the Child Development (Non-Major Governmental) Fund for a temporary loan.

The balance of \$592,609 is due to the General Fund from the Cafeteria Enterprise Fund for indirect and payroll related costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Special Reserve for Capital Outlay	Non-Major Governmental Funds	
County School Facilities Fund	\$ -	\$ 100,000	\$ 2,302,359	\$ 2,402,359
Special Reserve for Capital Outlay Fund	7,615,274	-	-	7,615,274
Non-Major Governmental Funds	683,582	-	275,000	958,582
Total	\$ 8,298,856	\$ 100,000	\$ 2,577,359	\$ 10,976,215

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

Deferred Maintenance Fund for the required match and District contribution.	\$ 639,520	
Adult Education Fund for lottery apportionment.	<u>44,062</u>	\$ 683,582
The General Fund transferred to the Special Reserve Capital Outlay Fund for redevelopment pass-through funds received.		4,115,274
The General Fund transferred to the Special Reserve Capital Outlay Fund for reimbursement of construction costs.		3,500,000
The Special Reserve Capital For Outlay Fund transferred to the County School Facilities Fund for the reimbursement of construction costs.		100,000
The Capital Facilities Non-Major Governmental Fund transferred to the County School Facilities Fund for reimbursement of construction costs.		2,302,359
The Capital Facilities Fund transferred to the Capital Project Fund for Blended Component Units Non-Major Governmental Fund for the payment of interest.		<u>275,000</u>
Total		\$ 10,976,215

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds
State apportionment	\$ 1,948,596	\$ -	\$ -	\$ -	\$ -
Salaries and benefits	356,501	-	-	-	346
Supplies	586,103	19,566	-	-	4,882
Services	1,428,216	3,389	-	-	43,673
Construction	1,380,517	1,029,745	1,966,751	201,000	178,135
Due to other districts	524,514	-	-	-	-
Other	117,924	-	-	-	-
Total	<u>\$ 6,342,371</u>	<u>\$ 1,052,700</u>	<u>\$ 1,966,751</u>	<u>\$ 201,000</u>	<u>\$ 227,036</u>

	Internal Service	Total Governmental Activities	Cafeteria Enterprise Fund	Fiduciary Funds
State apportionment	\$ -	\$ 1,948,596	\$ -	\$ -
Salaries and benefits	-	356,847	-	-
Supplies	-	610,551	199,142	-
Services	181,080	1,656,358	-	26,717
Construction	-	4,756,148	-	-
Due to Other districts	-	524,514	-	-
Other	-	117,924	-	-
Total	<u>\$ 181,080</u>	<u>\$ 9,970,938</u>	<u>\$ 199,142</u>	<u>\$ 26,717</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 2,974,640	\$ 3,244	\$ 2,977,884
State categorical aid	218,841	763	219,604
Total	<u>\$ 3,193,481</u>	<u>\$ 4,007</u>	<u>\$ 3,197,488</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$ 99,816,080	\$ 654,508	\$ 1,740,000	\$ 98,730,588	\$ 1,685,000
Premium on issuance	4,966,583	-	213,211	4,753,372	-
Certificates of participation	54,930,000	-	1,100,000	53,830,000	885,000
Premium on issuance	1,734,326	-	62,077	1,672,249	-
Discount on issuance	(90,623)	-	(3,139)	(87,484)	-
Capital leases	940,488	5,715,916	976,402	5,680,002	1,312,667
Accumulated vacation - net	1,999,415	276,480	-	2,275,895	-
Claim liabilities	265,000	2,763,743	2,727,663	301,080	301,080
Supplemental Early Retirement Plan (SERP)	3,201,022	605,932	1,248,452	2,558,502	1,085,696
	<u>\$ 167,762,291</u>	<u>\$ 10,016,579</u>	<u>\$ 8,064,666</u>	<u>\$ 169,714,204</u>	<u>\$ 5,269,443</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 for 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. Payments for claims liability are made from the Self-Insurance Fund. Payments for the Supplemental Early Retirement Program are made from the General Fund.

General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Accreted	Redeemed	Bonds Outstanding June 30, 2008
1997,								
Series A	8/1/97	8/1/22	4.80-5.15%	\$ 10,000,000	\$ 7,785,000	\$ -	\$ 315,000	\$ 7,470,000
1997,								
Series B	8/1/98	8/1/23	3.70-5.28%	9,999,278	12,612,154	610,226	470,000	12,752,380
2005,								
Series A	8/19/05	8/1/32	3.00-5.09%	49,998,180	49,418,926	44,282	955,000	48,508,208
2005,								
Series B	2/7/07	8/1/31	4.00-5.00%	30,000,000	30,000,000	-	-	30,000,000
					<u>\$ 99,816,080</u>	<u>\$ 654,508</u>	<u>\$ 1,740,000</u>	<u>\$ 98,730,588</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

1997 General Obligation Bonds, Series A

On August 1, 1997, the District issued the 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, 2008, 1997 General Obligation Bonds, Series A, totaling \$7,470,000 were still outstanding.

1997 General Obligation Bonds, Series B

On August 1, 1998, the District issued the 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, 2008, 1997 General Obligation Bonds, Series B, totaling \$12,752,380 were still outstanding.

2005 General Obligation Bonds, Series A

On August 19, 2005, the District issued the 2005 Series A current and capital appreciation General Obligation Bonds in the amount of \$49,998,180 (accreting to \$52,140,000) to finance the construction, renovation and repair of District facilities. The bonds have a maturity date of August 1, 2032, with interest yields varying from 3.00 to 5.09 percent. At June 30, 2008, the principal balance outstanding (including accreted interest to date) was \$48,508,208 and unamortized premium and issuance costs were \$2,975,967 and \$679,434, respectively.

2005 General Obligation Bonds, Series B

On February 7, 2007, the District issued the 2005 Series B General Obligation Bonds in the amount of \$30,000,000 to finance the construction, renovation and repair of District facilities, to finance a portion of the interest due on the Bonds and to pay issuance costs. The bonds have a maturity date of August 1, 2031, with interest yields varying from 4.00 to 5.00 percent. At June 30, 2008, the principal balance outstanding was \$30,000,000 and unamortized premium and issuance costs were \$1,777,405 and \$446,344, respectively.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2009	\$ 1,685,000	\$ -	\$ 4,215,559	\$ 5,900,559
2010	2,225,000	-	4,117,903	6,342,903
2011	2,669,232	125,768	4,020,253	6,815,253
2012	3,163,650	186,350	3,925,410	7,275,410
2013	1,755,615	179,385	3,845,941	5,780,941
2014-2018	15,912,084	1,867,916	17,913,293	35,693,293
2019-2023	24,579,020	3,995,980	13,814,375	42,389,375
2024-2028	25,722,779	1,532,221	8,287,250	35,542,250
2029-2033	21,018,208	2,031,792	1,692,500	24,742,500
Total	\$ 98,730,588	\$ 9,919,412	\$ 61,832,484	\$ 170,482,484

Certificates of Participation

The outstanding Certificates of Participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2007	Redeemed	Outstanding June 30, 2008
4/3/03	9/1/31	4.00% - 5.00%	\$ 15,500,000	\$ 14,175,000	\$ 550,000	\$ 13,625,000
11/6/03	9/1/17	2.50% - 4.125%	3,500,000	2,770,000	225,000	2,545,000
4/11/06	9/1/36	Weekly	14,485,000	14,485,000	-	14,485,000
12/7/06	9/1/36	4.00%-5.25%	23,500,000	23,500,000	325,000	23,175,000
			\$ 56,985,000	\$ 54,930,000	\$ 1,100,000	\$ 53,830,000

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). At June 30, 2008, the principal balance outstanding was \$13,625,000 and unamortized premium and issuance costs were \$138,003 and \$390,870, respectively.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

The certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
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	750,000	541,798	1,291,798
2013	800,000	508,673	1,308,673
2014-2018	1,120,000	2,340,867	3,460,867
2019-2023	1,570,000	2,044,543	3,614,543
2024-2028	3,265,000	1,477,625	4,742,625
2029-2032	4,120,000	443,500	4,563,500
Total	<u>\$ 13,625,000</u>	<u>\$ 9,118,768</u>	<u>\$ 22,743,768</u>

2003 Certificates of Participation (East Coachella School Facilities Project)

On November 6, 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, 2008, the principal balance outstanding was \$2,545,000 and unamortized premium and issuance costs were \$28,448 and \$48,934, respectively.

Year Ending June 30,	Principal	Interest	Total
2009	\$ 210,000	\$ 94,430	\$ 304,430
2010	225,000	88,027	313,027
2011	260,000	80,124	340,124
2012	285,000	70,571	355,571
2013	310,000	58,430	368,430
2014-2018	1,255,000	162,507	1,417,507
Total	<u>\$ 2,545,000</u>	<u>\$ 554,089</u>	<u>\$ 3,099,089</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

2006 Certificates of Participation (2006 School Financing Project)

On April 11, 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, 2008, the principal balance outstanding was \$14,485,000 and unamortized discount and issuance costs were \$87,484 and \$303,082, respectively.

Year Ending June 30,	Principal	Interest	Total
2009	\$ -	\$ 434,550	\$ 434,550
2010	290,000	430,200	720,200
2011	300,000	421,350	721,350
2012	310,000	412,200	722,200
2013	320,000	402,750	722,750
2014-2018	1,780,000	1,859,550	3,639,550
2019-2023	2,100,000	1,569,750	3,669,750
2024-2028	2,480,000	1,226,550	3,706,550
2029-2033	2,920,000	822,600	3,742,600
2034-2037	3,985,000	299,775	4,284,775
Total	<u>\$ 14,485,000</u>	<u>\$ 7,879,275</u>	<u>\$ 22,364,275</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

2006B Certificates of Participation (School Financing Project)

On December 7, 2006, the District, in conjunction with the Riverside County Schools Financing Corporation, issued \$23,500,000 in 2006B Certificates of Participation (School Financing Project), with interest yields varying from 4.00 to 5.25 percent to finance the construction, reconstruction, expansion, modernization, and improvement of existing school facilities, fund a reserve fund, and pay issuance costs associated with the execution and delivery of the certificates. The 2006B Certificates have a maturity date of September 1, 2036. At June 30, 2008, the principal balance outstanding was \$23,175,000 and unamortized premium and issuance costs were \$1,505,798 and \$396,015, respectively.

Year Ending June 30,	Principal	Interest	Total
2009	\$ 50,000	\$ 1,156,075	\$ 1,206,075
2010	75,000	1,153,263	1,228,263
2011	100,000	1,149,325	1,249,325
2012	125,000	1,144,262	1,269,262
2013	150,000	1,138,450	1,288,450
2014-2018	275,000	5,640,125	5,915,125
2019-2023	3,170,000	5,266,275	8,436,275
2024-2028	4,365,000	4,253,375	8,618,375
2029-2033	8,215,000	2,875,625	11,090,625
2034-2037	6,650,000	692,500	7,342,500
Total	<u>\$ 23,175,000</u>	<u>\$ 24,469,275</u>	<u>\$ 47,644,275</u>

Capital Leases

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

Balance, July 1, 2007	\$ 967,132
Additions	6,413,167
Payments	999,262
Balance, June 30, 2008	<u>\$ 6,381,037</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 1,589,075
2010	419,076
2011	4,267,693
2012	105,193
Total	<u>6,381,037</u>
Less: Amount Representing Interest	701,035
Present Value of Minimum Lease Payments	<u>\$ 5,680,002</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$2,275,895.

Claims Liability

Liabilities associated with health and welfare claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for health and welfare claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2008, amounted to \$301,080.

Supplemental Early Retirement Plans (SERP)

The District has offered supplemental early retirement plans (SERP) to its certificated and classified employees as part of the union contracts since 1984. Eligible employees who meet specific criteria for participation in SERP are provided an annuity to supplement the retirement benefits they are entitled to, through their respective retirement systems. The annuities offered to the employees are paid over a five-year period. Currently 58 employees who have retired after 2003 have elected to receive these annuities, as purchased from United of Omaha and Principal Life Insurance. Thirteen of these employees retired during the 2007-2008 fiscal period.

Future annuity payments are as follows:

Year Ending June 30,	Total Payments
2009	\$ 1,085,696
2010	804,498
2011	453,240
2012	107,534
2013	107,534
Total	<u>\$ 2,558,502</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total
Reserved						
Revolving cash	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ 21,000
Stores inventory	55,205	-	-	-	-	55,205
Restricted programs	9,929,974	-	-	-	-	9,929,974
Total Reserved	10,006,179	-	-	-	-	10,006,179
Unreserved						
Designated						
Economic uncertainties	5,820,740	-	-	-	-	5,820,740
Open future schools	750,000	-	-	-	-	750,000
Emergency services	500,000	-	-	-	-	500,000
Textbook adoption	1,200,000	-	-	-	-	1,200,000
School site carryover	495,191	-	-	-	-	495,191
Mandated costs	1,303,000	-	-	-	-	1,303,000
Future schools capital outlay	900,000	-	-	-	-	900,000
Future school reverse	66,938	-	-	-	-	66,938
Capital projects carryover	2,500,000	-	-	-	-	2,500,000
Total Designated	13,535,869	-	-	-	-	13,535,869
Undesignated						
General Fund	1,092,607	-	-	-	-	1,092,607
Special revenue funds	-	-	-	-	412,234	412,234
Debt service funds	-	-	-	-	7,087,524	7,087,524
Capital project funds	-	20,832,402	12,181,451	18,273,058	3,218,795	54,505,706
Total Undesignated	1,092,607	20,832,402	12,181,451	18,273,058	10,718,553	63,098,071
Total Unreserved	14,628,476	20,832,402	12,181,451	18,273,058	10,718,553	76,633,940
Total	\$24,634,655	\$20,832,402	\$12,181,451	\$18,273,058	\$10,718,553	\$86,640,119

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 103 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 \$921,616 were recognized for retirees' health care benefits.

NOTE 11 - 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, 2008, 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 2008, the District participated in the Riverside Schools Risk Management Authority (RSRMA) public entity risk pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in RSRMA. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Participation in RSRMA is limited to local educational agencies that can meet RSRMA 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.

Claims Liabilities

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2006, to June 30, 2008:

	Dental and Vision
Liability Balance, June 30, 2006	\$ 270,000
Claims and changes in estimates	2,107,909
Claims payments	(2,112,909)
Liability Balance, June 30, 2007	265,000
Claims and changes in estimates	2,763,743
Claims payments	(2,727,663)
Liability Balance, June 30, 2008	\$ 301,080
Assets available to pay claims at June 30, 2008	\$ 1,262,212

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$6,324,361, \$5,552,321, and \$5,041,747, respectively, and equal 100 percent of the required contributions for each year.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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 95811.

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 2007-2008 was 9.306 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, 2008, 2007, and 2006, were \$2,799,099, \$2,435,900, and \$2,116,230, 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.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) 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 \$110,828, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$110,828, which was 3.75 percent of the covered payroll.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,462,679 (4.517 percent of salaries subject to CalSTRS). No contributions were made to CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

NOTE 13 - 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, 2008.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

Construction Commitments

As of June 30, 2008, 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>
Mecca School Expansion	\$ 607,879	12/31/08
Oasis Reconstruction (Elementary #5)	15,214,769	01/01/09
Coachella Vally High School Modernization	1,815,222	01/01/09
Sea View Elementary Expansion	1,977,682	06/30/09
Aquatic Center	1,041,713	06/30/09
North Shore Elementary #6	3,164,479	09/01/09
Avenue 49 School Site	2,112,105	09/01/11
	<u>\$ 25,933,849</u>	

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Insurance Authority (RSIA) and the Riverside Schools Risk Management Authority (RSRMA) 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, 2008, the District made payments of \$792,006 and \$2,916,875 to RSIA and RSRMA, respectively, for services received.

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Revenue limit sources	\$100,515,876	\$ 101,515,448	\$101,545,166	\$ 29,718
Federal sources	21,032,044	25,876,008	20,957,481	(4,918,527)
Other State sources	32,920,166	44,977,893	45,194,146	216,253
Other local sources	12,473,037	13,826,821	14,538,182	711,361
Total Revenues ¹	166,941,123	186,196,170	182,234,975	(3,961,195)
EXPENDITURES				
Current				
Instruction	96,121,723	116,241,967	102,426,096	13,815,871
Instruction-related activities:				
Supervision of instruction	4,107,591	4,345,291	3,946,070	399,221
Instructional library, media, and technology	286,554	313,001	301,481	11,520
School site administration	20,857,667	23,292,561	22,136,649	1,155,912
Pupil services:				
Home-to-school transportation	9,035,720	10,114,758	9,165,735	949,023
All other pupil services	5,977,391	6,830,659	6,347,038	483,621
General administration:				
Data processing	1,616,156	2,470,469	2,376,546	93,923
All other general administration	6,659,274	8,090,372	6,969,554	1,120,818
Plant services	16,480,587	17,153,009	15,983,581	1,169,428
Facility acquisition and construction	-	6,137,366	3,870,654	2,266,712
Ancillary services	-	-	10,847	(10,847)
Other outgo	513,525	668,774	679,763	(10,989)
Debt service				
Principal	787,783	649,185	976,402	(327,217)
Interest	21,850	160,448	22,861	137,587
Total Expenditures ¹	162,465,821	196,467,860	175,213,277	21,254,583
Excess (Deficiency) of Revenues Over Expenditures	4,475,302	(10,271,690)	7,021,698	17,293,388
Other Financing Sources (Uses):				
Other sources	-	715,915	715,916	1
Transfers out	(4,096,874)	(4,798,856)	(8,298,856)	(3,500,000)
Net Financing Sources (Uses)	(4,096,874)	(4,082,941)	(7,582,940)	(3,499,999)
NET CHANGE IN FUND BALANCES	378,428	(14,354,631)	(561,242)	13,793,389
Fund Balance - Beginning	25,195,897	25,195,897	25,195,897	-
Fund Balance - Ending	\$ 25,574,325	\$ 10,841,266	\$ 24,634,655	\$ 13,793,389

¹ On behalf payments of \$3,462,679 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

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 - Even Start Migrant Education	84.214A	[1]	\$ 203,367
Indian Education	84.060	[1]	13,228
Impact Aid	84.041	[1]	1,144,919
Passed through California Department of Education:			
Adult Education Grants			
Adult Basic Education - ESL	84.002A	14508	42,225
Adult Basic Education - Adult Secondary Education	84.002A	13978	10,634
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	47,095
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	6,660,484
Title I, Part A - Program Improvement SAIT Corrective Action Plan	84.010A	14579	7,392
Title I, Part B - Reading First Program	84.357A	14328	2,300,654
Title I, Part G - Advanced Placement Test Fee	84.330	14831	24,234
Title II, Part A - Improving Teacher Quality	84.367	14341	1,141,400
Title II, Part B - CA Mathematics and Science Partnership	84.366	14512	752,155
Title II, Part D - Enhancing Education Through Technology Formula Grant	84.318	14334	40,521
Title III - Immigrant Education Program	84.365A	14346	168,636
Title III - Limited English Proficiency	84.365	10084	761,731
Title IV, Part A - Safe and Drug-Free Schools	84.186	14347	108,021
Title IV, Part B - 21st Century Community Learning Centers	84.287	14349	1,096,553
Title V, Part A - Innovation Education Strategies	84.298A	14354	64,211
Passed through CDE:			
Vocational Education Grants			
Applied Technology - Secondary Education	84.048	13924	181,137
Passed through Riverside County Office of Education:			
Title I, Part C - Migrant Education	84.011	14326	757,286
Passed through Riverside County SELPA:			
Individuals with Disabilities Education Act (IDEA)			
Federal Preschool	84.173	13430	55,250
Local Assistance	84.027	13379	2,051,682
Preschool Local Assistance	84.027A	13682	108,988
Preschool Staff Development	84.027A	13431	497
Subtotal for U.S. Department of Education			17,742,300

[1] Direct Award

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13390	\$ 1,745,341
National School Lunch Program	10.555	13396	5,846,507
Meal Supplements	10.555	13666	218,251
Child and Adult Care Food Program	10.558	13665	382,360
Food Distribution	10.555	[1]	773,978
Subtotal for U.S. Department of Agriculture			<u>8,966,437</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	70,922
Medical Administrative Activities Program	93.778	10060	297,571
Passed through Riverside County Office of Education [2]:			
Headstart	93.600	10016	2,364,826
Early Head Start	93.600	10016	568,306
Passed through CDE:			
Child Development - Federal Child Care, Center Based	93.596	13609	380,740
Child Development - Infant/Toddler Child Care Resource	93.575	13942	2,779
Child Development - Instructional Materials	93.575	14130	2,507
Passed through Coachella Valley Housing Coalition:			
Child Development - Federal Child Care, Center Based	93.596	13609	680,805
Child Development - Infant/Toddler Child Care Resource	93.575	13942	2,000
Child Development - Instructional Materials	93.575	14130	2,503
Subtotal for U.S. Department of Health and Human Services			<u>4,372,959</u>
Total Expenditures of Federal Awards			<u><u>\$ 31,081,696</u></u>

[1] Direct Award

[2] Does not include District in-kind contribution of \$694,675 to meet Federal matching requirements.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

ORGANIZATION

The Coachella Valley Unified School District was established in 1973 and consists of an area comprising approximately 1,200 square miles. The District operates 14 K-6 schools, three 7-8 school, one 7-12 high school, two four-year high schools, one continuation high school, an adult education extension program, four Headstart programs, 13 State Preschools, nine childcare centers, and teen parenting programs at two four-year high schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Gloria Maldonado	President	2010
Mrs. Elizabeth F. Romero	Vice President	2010
Mrs. Maria E. Rios	Clerk	2008
Mr. Joe Murillo	Member	2008
Mr. Victor Manuel Perez	Member	2008
Mrs. Anna Rodriguez	Member	2008
Mrs. Juanita D. Duarte	Member	2010

ADMINISTRATION

Mr. Foch "Tut" Pensis	Superintendent
Mr. Richard Alvarez	Assistant Superintendent, Educational Services
Mrs. Jamie Brown	Assistant Superintendent, Business Services
Mrs. Carey Carlson	Assistant Superintendent, Support Services

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2008**

	Annual	Second Period ADA		Increase/ (Decrease)
		Amended 2007-2008	2006-2007	
ELEMENTARY				
Kindergarten	1,513	1,506	1,427	79
First through third	4,377	4,362	4,174	188
Fourth through sixth	4,032	4,011	3,952	59
Seventh and eighth	2,595	2,599	2,485	114
Home and hospital	2	1	2	(1)
Special education	433	423	359	64
Total Elementary	<u>12,952</u>	<u>12,902</u>	<u>12,399</u>	<u>503</u>
SECONDARY				
Regular classes	4,159	4,257	4,015	242
Continuation education	109	112	125	(13)
Home and hospital	8	7	5	2
Special education	165	168	169	(1)
Total Secondary	<u>4,441</u>	<u>4,544</u>	<u>4,314</u>	<u>230</u>
Total K-12	<u>17,393</u>	<u>17,446</u>	<u>16,713</u>	<u>733</u>
CLASSES FOR ADULTS				
Concurrently enrolled	20	19	16	3
Not concurrently enrolled	395	409	340	69
Total Classes for Adults	<u>415</u>	<u>428</u>	<u>356</u>	<u>72</u>
Grand Total	<u>17,808</u>	<u>17,874</u>	<u>17,069</u>	<u>805</u>
SUMMER SCHOOL				
Elementary		585,808	424,124	161,684
High School		202,624	192,576	10,048
Total Hours		<u>788,432</u>	<u>616,700</u>	<u>171,732</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2008**

Grade Level	1982-1983	1986-1987	2007-2008	2007-2008	2007-2008	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	55,965	N/A	N/A	180	N/A	Complied
Grades 1-3	48,560	50,400						
Grades 1			55,965	54,565	55,965	180	N/A	[1]
Grades 2			55,965	54,565	55,965	180	N/A	[1]
Grades 3			55,965	54,565	55,965	180	N/A	[1]
Grades 4 - 8	58,730	54,000						
Grades 4			55,965	54,565	55,965	180	N/A	[1]
Grades 5			55,965	54,565	55,965	180	N/A	[1]
Grades 6			55,965	54,565	55,965	180	N/A	[1]
Grades 7			62,782	N/A	N/A	180	N/A	Complied
Grades 8			62,782	N/A	N/A	180	N/A	Complied
Grades 9 - 12	58,730	64,800						
Grades 9			65,456	N/A	N/A	180	N/A	Complied
Grades 10			65,456	N/A	N/A	180	N/A	Complied
Grades 11			65,456	N/A	N/A	180	N/A	Complied
Grades 12			65,456	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 2007-2008 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, 2008

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

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2008, Unaudited Actuals	\$ 25,842,077
Decrease in:	
Accounts receivable	(1,023,709)
Increase in:	
Accounts payable	<u>(183,713)</u>
Balance, June 30, 2008, Audited Financial Statement	<u>\$ 24,634,655</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 ¹	2008	2007	2006
GENERAL FUND				
Revenues	\$ 169,994,048	\$ 182,234,975	\$ 163,943,666	\$ 143,912,611
Other sources	-	715,916	-	-
Total Revenues and Other Sources	169,994,048	182,950,891	163,943,666	143,912,611
Expenditures	165,907,423	175,213,277	156,950,682	143,727,488
Other uses and transfers out	4,158,099	8,298,856	4,066,042	3,440,184
Total Expenditures and Other Uses	170,065,522	183,512,133	161,016,724	147,167,672
INCREASE (DECREASE) IN FUND BALANCE	\$ (71,474)	\$ (561,242)	\$ 2,926,942	\$ (3,255,061)
ENDING FUND BALANCE	\$ 24,563,181	\$ 24,634,655	\$ 25,195,897	\$ 22,268,955
AVAILABLE RESERVES ²	\$ 5,861,234	\$ 6,913,347	\$ 7,917,603	\$ 4,489,298
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.45%	3.84%	5.01%	3.11%
LONG-TERM OBLIGATIONS	N/A	\$ 169,714,204	\$ 167,497,291	\$ 117,598,715
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	17,797	17,446	16,713	15,628

The General Fund balance has increased by \$2,365,700 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$71,474 (0.3 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term debt has increased by \$52,115,489 over the past two years.

Average daily attendance has increased by 1,818 over the past two years. Additional growth of 351 ADA is anticipated during fiscal year 2008-2009.

¹ Budget 2009 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 \$3,462,679, \$3,039,976, and \$2,760,427 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2008, 2007, and 2006, respectively.

⁴ Excludes Adult Education ADA.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

EXCESS SICK LEAVE JUNE 30, 2008

Section 19833.5 (a)(3)(c) Disclosure

Coachella Valley Unified School District provides more than 12 sick leave days in a school year to the following groups of employees who are CalSTRS members:

1. Superintendent
2. Assistant Superintendent, Instructional Services
3. Assistant Superintendent, Support Services

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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.

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

SUPPLEMENTARY INFORMATION - UNAUDITED

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2008**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 89,646	\$ 28,581	\$ 277,936
Receivables	294,801	186,006	4,350
Due from other funds	186	-	-
Total Assets	\$ 384,633	\$ 214,587	\$ 282,286
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,013	\$ 4,214	\$ 169,037
Due to other funds	93,814	197,187	-
Deferred revenue	-	4,007	-
Total Liabilities	94,827	205,408	169,037
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
Special revenue funds	289,806	9,179	113,249
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	289,806	9,179	113,249
Total Liabilities and Fund Balances	\$ 384,633	\$ 214,587	\$ 282,286

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 3,174,190	\$ 38,847	\$ 7,087,524	\$ 10,696,724
58,530	-	-	543,687
-	-	-	186
<u>\$ 3,232,720</u>	<u>\$ 38,847</u>	<u>\$ 7,087,524</u>	<u>\$ 11,240,597</u>
\$ 52,772	\$ -	\$ -	\$ 227,036
-	-	-	291,001
-	-	-	4,007
<u>52,772</u>	<u>-</u>	<u>-</u>	<u>522,044</u>
-	-	-	412,234
-	-	7,087,524	7,087,524
3,179,948	38,847	-	3,218,795
<u>3,179,948</u>	<u>38,847</u>	<u>7,087,524</u>	<u>10,718,553</u>
<u>\$ 3,232,720</u>	<u>\$ 38,847</u>	<u>\$ 7,087,524</u>	<u>\$ 11,240,597</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - UNAUDITED
JUNE 30, 2008**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 1,131,180	\$ -	\$ -
Federal sources	99,954	1,071,334	-
Other State sources	-	422,199	622,451
Other local sources	57,172	486,177	25,339
Total Revenues	1,288,306	1,979,710	647,790
EXPENDITURES			
Current			
Instruction	805,635	1,651,201	-
Instruction-related activities:			
Supervision of instruction	127,525	140,501	-
School site administration	160,556	93,354	-
General administration:			
All other general administration	45,807	88,736	-
Plant services	18,018	7,610	-
Facility acquisition and construction	41,864	-	1,605,252
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	1,199,405	1,981,402	1,605,252
Excess (Deficiency) of Revenues Over Expenditures	88,901	(1,692)	(957,462)
Other Financing Sources (Uses):			
Transfers in	44,062	-	639,520
Transfers out	-	-	-
Net Financing Sources (Uses)	44,062	-	639,520
NET CHANGE IN FUND BALANCES	132,963	(1,692)	(317,942)
Fund Balance - Beginning	156,843	10,871	431,191
Fund Balance - Ending	\$ 289,806	\$ 9,179	\$ 113,249

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,131,180
-	-	-	1,171,288
-	-	23,357	1,068,007
3,508,799	15,800	5,762,379	9,855,666
<u>3,508,799</u>	<u>15,800</u>	<u>5,785,736</u>	<u>13,226,141</u>
-	-	-	2,456,836
-	-	-	268,026
-	312	-	254,222
-	-	-	134,543
159,419	-	-	185,047
3,238,384	-	-	4,885,500
-	-	1,740,000	1,740,000
-	300,000	3,336,736	3,636,736
<u>3,397,803</u>	<u>300,312</u>	<u>5,076,736</u>	<u>13,560,910</u>
<u>110,996</u>	<u>(284,512)</u>	<u>709,000</u>	<u>(334,769)</u>
-	275,000	-	958,582
<u>(2,577,359)</u>	<u>-</u>	<u>-</u>	<u>(2,577,359)</u>
<u>(2,577,359)</u>	<u>275,000</u>	<u>-</u>	<u>(1,618,777)</u>
<u>(2,466,363)</u>	<u>(9,512)</u>	<u>709,000</u>	<u>(1,953,546)</u>
<u>5,646,311</u>	<u>48,359</u>	<u>6,378,524</u>	<u>12,672,099</u>
<u>\$ 3,179,948</u>	<u>\$ 38,847</u>	<u>\$ 7,087,524</u>	<u>\$ 10,718,553</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, 2008**

(Dollar amounts in thousands,
excluding Revenue Limit Per ADA)

	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 20,958	11.5	\$ 22,604	13.8	\$ 25,070	17.4
State and local revenue included in revenue limit	101,545	55.7	95,524	58.3	83,077	57.7
Other State revenue	45,194	24.8	33,010	20.1	25,915	18.0
Other local revenue	14,538	8.0	12,806	7.8	9,851	6.9
Total Revenues	<u>182,235</u>	<u>100.0</u>	<u>163,944</u>	<u>100.0</u>	<u>143,913</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	77,652	42.6	68,158	41.6	61,479	42.7
Classified salaries	27,973	15.4	25,482	15.5	22,749	15.8
Employee benefits	35,566	19.5	33,244	20.3	31,295	21.8
Total Salaries and Benefits	141,191	77.5	126,884	77.4	115,523	80.3
Books and supplies	11,688	6.4	10,113	6.2	12,196	8.5
Contracts and operating expenses	16,382	9.0	14,033	8.5	12,522	8.7
Capital outlay	4,908	2.7	5,007	3.1	3,043	2.1
Other outgo	1,044	0.6	914	0.5	444	0.3
Total Expenditures	<u>175,213</u>	<u>96.2</u>	<u>156,951</u>	<u>95.7</u>	<u>143,728</u>	<u>99.9</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,022	3.8	6,993	4.3	185	0.1
OTHER FINANCING SOURCES (USES)						
Net transfers	(7,583)	(4.1)	(4,066)	(2.5)	(3,440)	(2.4)
INCREASE (DECREASE) IN FUND BALANCE	(561)	(0.3)	2,927	1.8	(3,255)	(2.3)
FUND BALANCE, BEGINNING	25,196		22,269		25,524	
FUND BALANCE, ENDING	<u>\$ 24,635</u>		<u>\$ 25,196</u>		<u>\$ 22,269</u>	
* * * * *						
BASE REVENUE LIMIT PER ADA						
Regular K-12	<u>\$ 5,791</u>		<u>\$ 5,539</u>		<u>\$ 5,175</u>	

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, 2008**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2007-2008		2006-2007		2005-2006	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 8,967	81.2	\$ 8,344	79.0	\$ 7,203	78.4
State meal program	768	7.0	632	6.0	475	5.1
Food sales	1,110	10.0	1,406	13.3	1,356	14.8
Other	198	1.8	176	1.7	157	1.7
Total Revenues	<u>11,043</u>	<u>100.0</u>	<u>10,558</u>	<u>100.0</u>	<u>9,191</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	5,123	46.4	4,619	43.7	4,185	45.5
Food	4,206	38.1	4,320	40.9	3,583	39.0
Supplies	433	3.9	172	1.7	101	1.1
Other	361	3.3	813	7.7	749	8.2
Total Expenditures	<u>10,123</u>	<u>91.7</u>	<u>9,924</u>	<u>94.0</u>	<u>8,618</u>	<u>93.8</u>
INCREASE IN FUND BALANCE	<u>920</u>	<u>8.3</u>	<u>634</u>	<u>6.0</u>	<u>573</u>	<u>6.2</u>
FUND BALANCE, BEGINNING	<u>5,620</u>		<u>4,986</u>		<u>4,413</u>	
FUND BALANCE, ENDING	<u>\$ 6,540</u>		<u>\$ 5,620</u>		<u>\$ 4,986</u>	

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2007-2008		2006-2007		2005-2006	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	207,757	8.3	142,003	6.2	145,557	6.5
Reduced price	334,592	13.4	317,031	13.8	264,803	11.8
Free	1,953,738	78.3	1,830,222	80.0	1,836,348	81.7
Total Lunches	<u>2,496,087</u>	<u>100.0</u>	<u>2,289,256</u>	<u>100.0</u>	<u>2,246,708</u>	<u>100.0</u>
BREAKFAST						
Paid	69,818	6.2	31,618	3.3	32,357	3.6
Reduced price	127,607	11.4	116,361	12.0	92,252	10.2
Free	921,875	82.4	822,221	84.7	779,282	86.2
Total Breakfast	<u>1,119,300</u>	<u>100.0</u>	<u>970,200</u>	<u>100.0</u>	<u>903,891</u>	<u>100.0</u>

See accompanying note to supplementary information - unaudited.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

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



**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, 2008, which collectively comprise Coachella Valley Unified School District's basic financial statements and have issued our report thereon dated December 9, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coachella Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coachella Valley Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the Financial Statement Findings section of the accompanying Findings and Questioned Costs as item 2008-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Coachella Valley Unified School District in a separate letter dated December 9, 2008.

Coachella Valley Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Coachella Valley Unified School District's response and, accordingly, express no opinion on it.

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.

VAVINEX, TRANS, TAX & CO, LLP

Rancho Cucamonga, California
December 9, 2008



**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, 2008. 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, 2008.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coachella Valley Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined 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, 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.

VAUZMSE, TIZNE, MYH CO, LLC

Rancho Cucamonga, California
December 9, 2008



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, 2008, and have issued our report thereon dated December 9, 2008. 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 2007-08*, 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	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not applicable
Instructional Time:		
School districts	6	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
Ratios of Administrative Employees to Teachers	1	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Classroom Teacher Salaries	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
Excess sick leave	3	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	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
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	3	Not applicable

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.

VAVRINSKI, TRINE, Day 4 10, 11^P

Rancho Cucamonga, California
December 9, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies 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>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants, Low Income and Neglected</u>
<u>84.010A</u>	<u>Title I, Part A - Program Improvement SAIT Corrective Action Plan</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>93.600</u>	<u>Headstart</u>
<u>93.600</u>	<u>Early Headstart</u>
<u>93.575, 93.596</u>	<u>Child Care Block Grant</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>
<u>84.041</u>	<u>Impact Aid</u>
<u>84.367</u>	<u>Title II, Part A - Improving Teacher Quality</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 932,451</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies 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, 2008

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2008-1 30000

Disbursement - Public Bidding

Criteria or Specific Requirements

Public Contract Code Section 22002(c) requires the District's governing board to obtain competitive bids and award any contracts involving an expenditure of more than \$15,000 to the lowest responsible bidder for public works project. Public works projects are defined as the following:

- 1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased, or operated facility.
- 2) Painting or repainting of any publicly owned, leased, or operated facility.

Public works projects do not include the following:

- 1) Minor repainting.
- 2) Resurfacing of streets and highways at less than one inch.
- 3) Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.

Condition

During the review of cash disbursement procedures, instances of noncompliance with public bidding requirements were noted. Specifically, the auditor believes that bidding procedures were not followed for various deferred maintenance projects. The following purchase orders were identified as potential instances of bid splitting:

<u>PO Number</u>	<u>Amount</u>	<u>Vendor</u>
P0005480	\$14,500	Xios
P0005481	\$13,500	Xios
P0005371	\$14,500	Xios
P0005305	\$13,900	Xios

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Questioned Cost

There were no questioned costs associated with the condition identified.

Context

The condition identified was determined based on a sample review of the District's disbursement activities related to the Deferred Maintenance Fund. The auditor reviewed four separate purchase orders generated for the same scope of work that took place at the same location. The four purchase orders were generated separately and in sequential order.

Effect

The District appears not to be in adherence with requirements mandated by the California Public Contract Code Section 22002(c).

Cause

The auditor was unable to determine the cause of the condition identified.

Recommendation

The District needs to strengthen controls over bidding and avoid all intentional splitting of purchase orders to expedite necessary projects. In order to ensure compliance with the public contract code section 20111 dictating the bidding requirements or public works and procurement, the District should develop a check list of requirements that should be reference for all potential purchase requisitions that might be subject to the bidding requirements. Furthermore, the District should ensure that purchase department personnel are adequately informed about requirements so that they are capable of properly identifying all purchase requisitions that might be subject to the bidding requirements. The auditor also suggests that the business services department provide some aspect of monitoring to ensure the purchasing department is meeting the requirements.

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

District Response

The District concurs and will implement the auditor's suggested recommendation as noted above.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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

2007-1 *YEAR-END CONSTRUCTION ACCRUAL PROCESS*

30000

Finding

During the course of the audit, adjustments were required due to internal control deficiencies related to non-routine transactions (i.e. year-end accrual processing). The amounts associated with the adjustments were deemed to be material to the reporting unit, both quantitatively and qualitatively, which resulted in the aforementioned adjustments. Base on guidance as promulgated by Statement of Auditing Standard (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, the adjustments indicate a significant deficiency in internal control related to the year-end accrual process.

Recommendation

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. The internal control structure related to the year-end accrual process needs to be enhanced to include the non-routine transactions related to the accounts payable process. Multiple accruals for facilities construction were either not recorded or over accrued. The process for establishing an accrual for construction progress billings should be based on an invoiced amount, or absent an invoice, contacting the vendor regarding an estimate of what work has occurred, which has not yet been paid.

Current Status

Implemented

2007-2 *INVENTORY-CAFETERIA*

30000

Finding

During our audit of the food service program, it came to our attention that the cafeteria does not reconcile the physical inventory with the general ledger. At year-end, the difference of \$164,645 was noted between the physical inventory and the amount reflected on the balance sheet.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

In order to appropriately reflect the store inventory, periodically the physical inventory should be reconciled to the general ledger and adjustments should be made to reflect overages or shortages.

Current Status

Implemented

2007-3 FIXED ASSETS

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.

Current Status

Implemented

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Federal Awards Findings

2007-4 *TIME CERTICATIONS - 84.010 TITLE I, PART A, Basic Grants, Low Income and Neglected, 84.010A TITLE I, PART A, Program Improvement SAIT Corrective Action Plan, 84.010A TITLE I, PART A, Program Improvement District Intervention 84.010A TITLE I, PART A, Program Improvement District Supplemental*

50000

Finding

Questioned Costs: \$5,478,127

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

Recommendation

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

Current Status

Implemented

2007-5 *TIME CERTICATIONS - 84.027A, 84.173A SPECIAL EDUCATION CLUSTER*

50000

Finding

Questioned Costs: \$1,918,050

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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

Recommendation

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

Current Status

Implemented

State Awards Findings

None reported.



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, 2008, 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 December 9, 2008, on the financial statements of Coachella Valley Unified School District.

INTERNAL CONTROL

Disbursements - Override of Controls

Finding

Based on the review of the District's disbursement procedures, accounts payable clerks have the ability to override established controls related to disbursements. Currently, the District's disbursement system has a built-in control feature that does not allow accounts payable clerks to make disbursements over the original purchase order that was created. In order to override this control feature, a password must be entered into the system. The overriding of controls circumvents the controls established to govern spending over disbursements.

Recommendation

The access necessary to override disbursement controls should not be assigned to accounts payable clerks. The District should consider eliminating the override features accessible to accounts payable clerks and assign the decision making and responsibility of overriding to an administrator that is directly responsible for the supervision of accounts payable staff.

Certificate of Participations (COP)

Finding

Currently, a purchase order is not being used for all expenditures made with Certificates of Participation (COP) funds. Purchase orders appear to be used for debt service payments. However, purchases orders are not used for all other expenditures. A purchase order allows the District to clearly communicate their intentions to vendors.

Recommendation

In order to prevent miscommunication with vendors regarding services or goods to be received or miscommunication of District personnel's authority to authorize an order, the District should implement procedures and policies that require the same forms, including a purchase order, be used for expenditures made from COP funds.

Long-Term Substitutes

Finding

During our review of long-term and short-term substitute teachers, it was noted multiple substitute teachers are currently teaching classes without having the proper credentials. In addition, it was noted multiple teachers classified as long-term substitutes are provided with fringe benefits. Based on District policy, employees classified as substitute teachers are not eligible to receive fringe benefits.

Recommendation

The District should eliminate the practice of allowing teachers without proper credentials to teach classes for an extended period of time. In addition, the District should implement or update policies identifying all employee classifications eligible to receive fringe benefits. If any exceptions are to be allowed for special circumstances, the District should include them in their written policies.

Title I, Part A - Basic Grants, Low Income and Neglected, Title I, Part A - Program Improvement SAIT Corrective Action Plan, Headstart, Early Headstart, Child Care Block Grant, Title III, Part A - Improving Teacher Quality

Finding

Recipients of advances on Federal program awards must establish procedures to minimize the time between receipt of these program funds and disbursement of these funds, and to monitor interest earned on unspent funds. For programs that are advance funded, there are requirements to remit interest earned on advances to the Federal government. It does not appear the District monitors the amount of interest earned on unspent program s funds. Specifically, the District did not determine whether interest earned on the program funds exceeds the Federal benchmarked amount of \$250, of which \$100 per year may be kept for administrative expenses. Audit procedures performed on unspent funds, using County provided quarterly interest rates for the year, resulted in an estimate below \$10,000 in interest earnings. The estimated interest earning is not considered to be both direct and material to the Federal programs, and accordingly is not reported as Federal Awards Finding and Questioned Costs in the supplemental section of the audit report.

Recommendation

We recommend the District monitor the program's cash balance. The District should use the amount of interest provided by the Riverside County Treasury. Currently, the calculated interest earned exceeds this threshold, and the District should remit the excess interest prior to year-end.

ASSOCIATED STUDENT BODIES (ASB)

Bobby Duke Middle School

Timely Deposits

Finding

During review of the receipting process, it was noted \$1,827 was deposited to the bank 14 days after monies were receipted.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site personnel to make the deposits timely.

Revenue Potentials

Finding

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

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due, and so forth.

Ticket Sales

Finding

During our audit of ASB's internal control over ticket sales and ticket inventory, we noted the following issues:

1. A ticket sales recap form is not prepared and submitted with the remaining ticket roll and cash collections to the bookkeeper.
2. A master ticket log is not being utilized to account for all tickets on hand and used during the year.

Recommendation

1. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.
2. A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log.

West Shores High School

Student Body Minutes

Finding

The auditor deemed that students are actively participating in approving expenditures; however, the site does not maintain adequate records and documentation of ASB minutes. Student council minutes were informal and did not always reflect the approval of all the purchase orders or document the students' participation.

Recommendations

The site should maintain proper documentation of ASB meetings to record pre-approval of all ASB expenditures by the student body. Minutes should include details of proceedings, including financial matters pertaining to the budget, approval of fund-raising ventures, and expenditure authorizations. Minutes are not a verbatim transcript of every word spoken; rather, they are a concise documentation of the essential matters discussed at each meeting so there is a record of what occurred. The minutes should be clearly written so that they can be read and understood in the future.

Cash Receipting

Finding

During our audit of the ASB's internal controls over receipting, we noted the following issues:

1. During review of the receipting process, it was noted that receipts are not being issued by teachers at the time monies are being collected from students and/or parents/guardians. Also, receipts are not issued to teachers when submitting the monies that they have collected to the ASB advisor for deposit. The ASB advisor issues a pre-numbered single receipt only to document the total amount of monies being collected to accompany the deposit back-up.
2. Deposits are not being made timely and in sequential order. We noted five deposits made over 12 days after the receipt date. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the asset. We also noted monies receipted were deposited after subsequent receipts.

Recommendation

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in. A receipt should be issued back to the teacher as proof that the monies were deposited intact.
2. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site and in sequential order. During weeks of high cash activity, there may be a need to make more than one deposit. The district should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site to make the deposits timely.

Cash Disbursements

Finding

During our audit of the ASB's internal controls over disbursement, we noted the following issues:

1. One of the three transactions reviewed did not have receiving documentation.
2. One of the three transactions tested did not have pre-approval in the student body minutes.

Recommendation

1. All expenditures should indicate whether the items purchased have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for, but not received.
2. All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items.

TICKETING

Finding

Based on interview with ASB advisor, the auditor noted that the site had a dance in which cash was collected at the door. The site did not utilize tickets in order to control and reconcile the cash collection during the event. Furthermore, vendors at the dance were paid directly from the cash collected.

Recommendation

The issuance of tickets is a vital control for events that have cash collection at admittance. Pre-numbered tickets allow personnel to reconcile the amount of cash collected at the event to the number tickets sold at the door. The issuance of tickets and the utilization of ticket control logs are an important control over the collection of cash at ASB sponsored events. In addition, all vendors should be paid through the normal ASB disbursement process.

Unknown Bank Account

Finding

During the ASB audit, the auditor was told of an outside account held by the ASB advisor. The auditor was told that money is collected from students and disbursed through this account.

Recommendation

The ASB advisor should not maintain an account outside of ASB control. Cash collection and disbursement controls are completely bypassed and the likelihood of fraudulent disbursements is increased. The district should close the account and determine where monies should be appropriately deposited. The District should review District policies and procedures with all sites regarding opening new bank accounts and review the District's procedure for updating their list of bank accounts to ensure this does not happen in the future.

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

VAVRICK, Travis, Dny + Co, LLP

Rancho Cucamonga, California
December 9, 2008