

**COACHELLA VALLEY UNIFIED  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2013**

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS JUNE 30, 2013

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### ***FINANCIAL SECTION***

Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Proprietary Funds - Statement of Net Position	21
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	22
Proprietary Funds - Statement of Cash Flows	23
Fiduciary Funds - Statement of Net Position	24
Notes to Financial Statements	25

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	63
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	64

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	66
Local Education Agency Organization Structure	68
Schedule of Average Daily Attendance	69
Schedule of Instructional Time	70
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	71
Schedule of Financial Trends and Analysis	72
Schedule of Charter Schools	73
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	75
General Fund Selected Financial Information	76
Cafeteria Fund Selected Financial Information	77
Note to Supplementary Information	78

### ***INDEPENDENT AUDITORS' REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	81
Report on Compliance of Each Major Program and Report on Internal Control Over Compliance Required by the OMB Circular A-133	83
Report on State Compliance	85

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2013

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Summary of Auditors' Results	88
Financial Statement Findings	89
Federal Awards Findings and Questioned Costs	90
State Awards Findings and Questioned Costs	91
Summary Schedule of Prior Audit Findings	93
Management Letter	94

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Coachella Valley Unified School District  
Thermal, California

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 and 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 Education Agencies 2012-2013*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and budgetary comparison information and schedule of other postemployment benefits on pages 63 and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coachella Valley Unified School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Coachella Valley Unified School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coachella Valley Unified School District's internal control over financial reporting and compliance.

Varrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California  
December 16, 2013



# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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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, 2013. 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 prepared using the economic resources measurement focus and the accrual basis of accounting.

*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, 2013

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is 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 position 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 Position* 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, 2013

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**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 Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. 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 the *Statements of Fiduciary Net Position*. 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

After five years of difficult economic conditions, the District was able to maintain a strong ending balance in the combined General Fund. This resulted from careful control of expenditures and cooperative agreements with employee bargaining units. While the District experienced significant deficit spending, this spending was planned. As the economic outlook improves, the District anticipates significant revenue growth over the next few years, enabling the District to eliminate its structural deficit.

The District was able to begin implementing a unique and innovative program for the inclusion of mobile-technology for students. In support of this initiative, the Governing Board approved placing a ballot initiative on the November ballot that improves the wireless computer network infrastructure of the District, and provides mobile devices for all District students. This initiative passed with strong community support at a 65 percent final approval rate. Full implementation of this project is expected to be completed by June, 2014.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2013**

The District issued nearly \$55 million in additional bonds under the 2005 authorization. These funds will be used to build a new community educational support facility at the District office complex. This will include a new transportation facility that will greatly expand the use of clean CNG buses. The bonds were sold in July, 2012.

As has been the practice of the District, Coachella Valley Unified School District does not reallocate categorical program carryover from the prior year until the financial records for the prior year are closed. Consequently, the original budget may not include all available revenues or expenditures related to categorical carryover, while the subsequent budget revisions and actual results reflect these carryovers.

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$253.5 million for the fiscal year ended June 30, 2013. Of this amount, \$0.3 million was unrestricted. Restricted net position 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 position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 152.5	\$ 99.8	\$ 9.3	\$ 8.0	\$ 161.8	\$ 107.8
Capital assets	369.1	362.7	2.0	2.0	371.1	364.7
<b>Total Assets</b>	<b>521.6</b>	<b>462.5</b>	<b>11.3</b>	<b>10.0</b>	<b>532.9</b>	<b>472.5</b>
<b>Liabilities</b>						
Current liabilities	7.6	9.8	-	-	7.6	9.8
Long-term obligations	271.8	188.1	-	-	271.8	188.1
<b>Total Liabilities</b>	<b>279.4</b>	<b>197.9</b>	<b>-</b>	<b>-</b>	<b>279.4</b>	<b>197.9</b>
<b>Net Position</b>						
Net investment in capital assets	220.4	225.3	2.0	2.0	222.4	227.3
Restricted	21.5	24.4	9.3	8.0	30.8	32.4
Unrestricted	0.3	14.9	-	-	0.3	14.9
<b>Total Net Position</b>	<b>\$ 242.2</b>	<b>\$ 264.6</b>	<b>\$ 11.3</b>	<b>\$ 10.0</b>	<b>\$ 253.5</b>	<b>\$ 274.6</b>

The \$0.3 million in unrestricted net position represents the *accumulated* results of all past years' operations. The District increased its current assets and liabilities due to the issuance of Series C Bond.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. 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		Business-Type		School District	
	Activities		Activities		Activities	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1.3	\$ 2.4	\$ 0.9	\$ 0.9	\$ 2.2	\$ 3.3
Operating grants and contributions	50.6	55.3	13.0	11.6	63.6	66.9
General revenues:						
Federal and State aid not restricted	88.9	94.6	-	-	88.9	94.6
Property taxes	27.7	24.1	-	-	27.7	24.1
Other general revenues	8.4	4.8	-	-	8.4	4.8
<b>Total Revenues</b>	<b>176.9</b>	<b>181.2</b>	<b>13.9</b>	<b>12.5</b>	<b>190.8</b>	<b>193.7</b>
<b>Expenses</b>						
Instruction-related	143.1	135.0	-	-	143.1	135.0
Student support services	17.2	14.6	12.6	11.9	29.8	26.5
Administration	10.7	9.4	-	-	10.7	9.4
Plant services	15.6	14.8	-	-	15.6	14.8
Other	12.7	7.5	-	-	12.7	7.5
<b>Total Expenses</b>	<b>199.3</b>	<b>181.3</b>	<b>12.6</b>	<b>11.9</b>	<b>211.9</b>	<b>193.2</b>
<b>Change in Net Position</b>	<b>\$ (22.4)</b>	<b>\$ (0.1)</b>	<b>\$ 1.3</b>	<b>\$ 0.6</b>	<b>\$ (21.1)</b>	<b>\$ 0.5</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$199.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$27.7 million because the cost was paid by those who benefited from the programs (\$1.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$50.6 million). We paid for the remaining "public benefit" portion of our governmental activities with \$97.3 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, 2013**

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In Table 3, we have presented the cost and net cost of each of the District's largest functions - instruction, instructional-related activities, home-to-school transportation, other pupil services, general administration, plant services, facility acquisition and construction, interest on long-term obligations and all other functions. As discussed previously, 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)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 124.3	\$ 116.6	\$ 88.4	\$ 76.7
Instruction-related activities	18.8	18.4	12.3	10.6
Home-to-school transportation	10.1	8.2	6.9	5.0
Other pupil services	7.1	6.4	5.2	5.1
General administration	10.7	9.4	8.5	7.3
Plant services	15.6	14.8	15.4	14.5
Interest on long-term obligations	12.2	7.1	12.2	7.1
Other	0.5	0.4	(1.4)	(2.7)
<b>Total</b>	<b>\$ 199.3</b>	<b>\$ 181.3</b>	<b>\$ 147.5</b>	<b>\$ 123.6</b>

The overall change in the Total Cost of Services reflects measures the District has taken to reduce costs while economic difficulties persist.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$143.4 million, which is an increase of \$55.6 million from last year.

**Table 4**

(Amounts in millions)	Fund Balance			
	July 1, 2012	Revenues	Expenditures	June 30, 2013
General Fund	\$ 29.6	\$ 163.8	\$ 175.8	\$ 17.6
Building Fund	26.2	84.3	14.7	95.8
Adult Education Fund	0.3	1.4	1.3	0.4
Child Development Fund	-	2.2	2.2	-
Deferred Maintenance Fund	1.3	0.4	0.7	1.0
Capital Facilities Fund	3.1	1.1	0.2	4.0
County School Facilities Fund	3.9	-	0.6	3.3
Special Reserve Fund for Capital Outlay Projects	16.8	3.3	6.4	13.7
Capital Project Fund for Blended Component Unit	0.3	1.1	1.3	0.1
Bond Interest and Redemption Fund	6.3	8.1	6.9	7.5
<b>Total</b>	<b>\$ 87.8</b>	<b>\$ 265.7</b>	<b>\$ 210.1</b>	<b>\$ 143.4</b>

The primary reasons for these increases/decreases are:

- The decrease of \$12.0 million in the General Fund resulted primarily from planned deficit spending that allowed the District to maintain staffing. The deficit also reflected the spending of prior-year resources that had carried over into the current year.
- Increases in the building funds resulted from the issuance of bonds from two bond series.

### 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 12, 2013 (see page 63).

Significant revenue revisions made to the 2012-2013 budgets were due to revisions in various categorical programs.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the District had \$362.8 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of just under \$1.9 million, or 0.5 percent, from last year (Table 5).

**Table 5**

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and construction in process	\$ 46.9	\$ 44.1	\$ -	\$ -	\$ 46.9	\$ 44.1
Buildings and improvements	306.9	313.0	1.6	1.6	308.5	314.6
Furniture and equipment	15.3	5.6	0.4	0.4	15.7	6.0
<b>Total</b>	<b>\$ 369.1</b>	<b>\$ 362.7</b>	<b>\$ 2.0</b>	<b>\$ 2.0</b>	<b>\$ 371.1</b>	<b>\$ 364.7</b>

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

#### Long-Term Obligations

At the end of this year, the District had \$272 million in obligations versus \$188.1 million last year, an increase of 44.6 percent. These obligations consisted of:

**Table 6**

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds, net (Financed with property taxes)	\$ 203.8	\$ 125.2	\$ -	\$ -	\$ 203.8	\$ 125.2
Certificates of participation, net	35.4	36.7	-	-	35.4	36.7
Capitalized lease obligations	8.7	2.3	-	-	8.7	2.3
Other	24.1	23.9	-	-	24.1	23.9
<b>Total</b>	<b>\$ 272.0</b>	<b>\$ 188.1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 272.0</b>	<b>\$ 188.1</b>

The District's general obligation current bond rating is "A1". The State limits the amount of general obligation debt that Districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$203.8 million is significantly at and/or below the \$183.7 million is near the statutorily-imposed limit of \$186.3 million.

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.

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

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

**JUNE 30, 2013**

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### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, students, 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 John Ramont, Assistant Superintendent, Business and Finance, at Coachella Valley Unified School District, 87-225 Church Street, P.O. Box 847, Thermal, California, 92274, or e-mail at [john.ramont@cvusd.us](mailto:john.ramont@cvusd.us).

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Deposits and investments	\$ 120,143,557	\$ 6,493,246	\$ 126,636,803
Receivables	29,031,126	2,426,466	31,457,592
Internal balances	46,627	(46,627)	-
Prepaid expenses	68,760	8,876	77,636
Stores inventories	52,856	440,128	492,984
Deferred cost on issuance	3,165,006	-	3,165,006
Capital assets:			
Land and construction in process	46,872,219	-	46,872,219
Other capital assets	415,099,918	2,975,712	418,075,630
Less: Accumulated depreciation	(92,888,551)	(1,006,235)	(93,894,786)
Total Capital Assets	<u>369,083,586</u>	<u>1,969,477</u>	<u>371,053,063</u>
<b>Total Assets</b>	<u>521,591,518</u>	<u>11,291,566</u>	<u>532,883,084</u>
<b>LIABILITIES</b>			
Accounts payable	4,084,674	15,345	4,100,019
Accrued interest payable	2,907,256	-	2,907,256
Deferred revenue	411,841	-	411,841
Long-term obligations:			
Current portion of long-term obligations	9,117,415	-	9,117,415
Noncurrent portion of long-term obligations	262,849,433	-	262,849,433
Total Long-Term Obligations	<u>271,966,848</u>	<u>-</u>	<u>271,966,848</u>
<b>Total Liabilities</b>	<u>279,370,619</u>	<u>15,345</u>	<u>279,385,964</u>
<b>NET POSITION</b>			
Net investment in capital assets	220,409,616	1,969,477	222,379,093
Restricted for:			
Debt service	6,837,878	-	6,837,878
Capital projects	7,338,233	-	7,338,233
Educational programs	6,372,762	-	6,372,762
Other activities	1,008,153	9,306,744	10,314,897
Unrestricted	254,257	-	254,257
<b>Total Net Position</b>	<u>\$ 242,220,899</u>	<u>\$ 11,276,221</u>	<u>\$ 253,497,120</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, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
Instruction	\$ 124,324,014	\$ 208,196	\$ 35,739,144	\$ 13,000
Instruction-related activities:				
Supervision of instruction	3,718,716	6,331	2,329,822	-
Instructional library, media and technology	231,281	-	215,803	-
School site administration	14,815,692	4,127	3,940,499	-
Pupil services:				
Home-to-school transportation	10,066,680	-	3,212,220	-
All other pupil services	7,105,299	8,190	1,879,517	-
General administration:				
Data processing	3,128,410	-	867,161	-
All other general administration	7,544,409	3,716	1,304,901	-
Plant services	15,630,143	16,656	179,833	-
Interest on long-term obligations	12,182,092	-	-	-
Other outgo	562,214	1,017,382	901,005	-
<b>Total Governmental Activities</b>	<b>199,308,950</b>	<b>1,264,598</b>	<b>50,569,905</b>	<b>13,000</b>
<b>Business-Type Activities:</b>				
Food services	12,600,389	900,696	12,954,032	-
<b>Total School District</b>	<b>\$ 211,909,339</b>	<b>\$ 2,165,294</b>	<b>\$ 63,523,937</b>	<b>\$ 13,000</b>

General revenues and subventions:

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

**Subtotal, General Revenues**

**Change in Net Position**

**Net Position - Beginning**

**Net Position - Ending**

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

**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (88,363,674)	\$ -	\$ (88,363,674)
(1,382,563)	-	(1,382,563)
(15,478)	-	(15,478)
(10,871,066)	-	(10,871,066)
(6,854,460)	-	(6,854,460)
(5,217,592)	-	(5,217,592)
(2,261,249)	-	(2,261,249)
(6,235,792)	-	(6,235,792)
(15,433,654)	-	(15,433,654)
(12,182,092)	-	(12,182,092)
1,356,173	-	1,356,173
<u>(147,461,447)</u>	<u>-</u>	<u>(147,461,447)</u>
-	1,254,339	1,254,339
<u>(147,461,447)</u>	<u>1,254,339</u>	<u>(146,207,108)</u>
19,362,286	-	19,362,286
5,922,935	-	5,922,935
2,424,965	-	2,424,965
88,938,599	-	88,938,599
626,775	19,320	646,095
7,822,262	-	7,822,262
<u>125,097,822</u>	<u>19,320</u>	<u>125,117,142</u>
(22,363,625)	1,273,659	(21,089,966)
264,584,524	10,002,562	274,587,086
<u>\$ 242,220,899</u>	<u>\$ 11,276,221</u>	<u>\$ 253,497,120</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Deposits and investments	\$ 398,086	\$ 88,881,388	\$ 29,476,841	\$ 118,756,315
Receivables	28,056,206	59,177	914,908	29,030,291
Due from other funds	997,623	7,000,000	641,854	8,639,477
Prepaid expenditures	68,760	-	-	68,760
Stores inventories	52,856	-	-	52,856
<b>Total Assets</b>	<u>\$ 29,573,531</u>	<u>\$ 95,940,565</u>	<u>\$ 31,033,603</u>	<u>\$ 156,547,699</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,932,936	\$ 109,794	\$ 41,944	\$ 4,084,674
Due to other funds	7,644,748	-	949,360	8,594,108
Deferred revenue	411,841	-	-	411,841
<b>Total Liabilities</b>	<u>11,989,525</u>	<u>109,794</u>	<u>991,304</u>	<u>13,090,623</u>
<b>Fund Balances:</b>				
Nonspendable	171,616	-	-	171,616
Restricted	6,372,762	95,830,771	19,291,668	121,495,201
Committed	-	-	1,354,006	1,354,006
Assigned	-	-	9,396,625	9,396,625
Unassigned	11,039,628	-	-	11,039,628
<b>Total Fund Balances</b>	<u>17,584,006</u>	<u>95,830,771</u>	<u>30,042,299</u>	<u>143,457,076</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 29,573,531</u>	<u>\$ 95,940,565</u>	<u>\$ 31,033,603</u>	<u>\$ 156,547,699</u>

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

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 143,457,076</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 461,972,137	
Accumulated depreciation is:	<u>(92,888,551)</u>	
Net Capital Assets		369,083,586
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		
		3,165,006
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		
		(2,907,256)
An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net position is:		
		1,008,153
Long-term obligations are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	182,694,668	
Unamortized premium on general obligation bonds	7,790,799	
Certificates of participation	34,005,000	
Unamortized premium on certificates of participation	1,361,864	
Capital lease obligations	8,660,712	
Compensated absences	1,736,866	
Supplemental early retirement plan (SERP)	3,448,319	
2011 Lease refunding	12,200,000	
Other postemployment benefits (OPEB)	6,365,889	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:		
	<u>13,321,549</u>	
Total Long-Term Obligations		(271,585,666)
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 242,220,899</u></u></b>

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

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 95,035,408	\$ -	\$ -	\$ 95,035,408
Federal sources	19,684,093	-	650,120	20,334,213
Other State sources	39,123,274	-	2,435,565	41,558,839
Other local sources	9,923,365	261,940	9,829,036	20,014,341
<b>Total Revenues</b>	<b>163,766,140</b>	<b>261,940</b>	<b>12,914,721</b>	<b>176,942,801</b>
<b>EXPENDITURES</b>				
Current				
Instruction	111,601,026	-	2,988,909	114,589,935
Instruction-related activities:				
Supervision of instruction	3,543,256	-	148,717	3,691,973
Instructional library, media and technology	228,523	-	-	228,523
School site administration	15,905,865	-	318,020	16,223,885
Pupil services:				
Home-to-school transportation	9,721,235	-	-	9,721,235
All other pupil services	6,648,995	-	-	6,648,995
General administration:				
Data processing	3,111,616	-	-	3,111,616
All other general administration	7,449,402	-	45,571	7,494,973
Plant services	15,454,056	122,636	57,952	15,634,644
Facility acquisition and construction	38,238	12,930,312	2,725,766	15,694,316
Other outgo	562,204	-	10	562,214
Debt service				
Principal	-	645,488	4,959,000	5,604,488
Interest and other	-	1,047,289	7,337,360	8,384,649
<b>Total Expenditures</b>	<b>174,264,416</b>	<b>14,745,725</b>	<b>18,581,305</b>	<b>207,591,446</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(10,498,276)</b>	<b>(14,483,785)</b>	<b>(5,666,584)</b>	<b>(30,648,645)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	2,594,231	2,594,231
Other sources	-	84,092,637	2,179,914	86,272,551
Transfers out	(1,506,731)	-	(1,087,500)	(2,594,231)
<b>Net Financing Sources (Uses)</b>	<b>(1,506,731)</b>	<b>84,092,637</b>	<b>3,686,645</b>	<b>86,272,551</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(12,005,007)</b>	<b>69,608,852</b>	<b>(1,979,939)</b>	<b>55,623,906</b>
<b>Fund Balances - Beginning</b>	<b>29,589,013</b>	<b>26,221,919</b>	<b>32,022,238</b>	<b>87,833,170</b>
<b>Fund Balances - Ending</b>	<b>\$ 17,584,006</b>	<b>\$ 95,830,771</b>	<b>\$ 30,042,299</b>	<b>\$ 143,457,076</b>

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 STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 55,623,906**  
**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 Position 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	\$ 16,067,211
Depreciation expense	<u>(9,673,216)</u>

Net Expense Adjustment	6,393,995
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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 obligations in the Statement of Net Position. (8,306,200)

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution. (2,055,162)

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 were more than the amounts added by \$1,551,331. Vacation used was less than the amounts earned by \$66,083. 1,485,248

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:  
 Sale of general obligation bonds (77,966,350)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	1,995,000
Certificates of participation	1,260,000
Capital lease obligations	1,924,488
2012 Lease refunding	425,000

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 STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2013**

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

Amortization of debt premium	\$ 423,929	
Amortization of cost of issuance	<u>(159,449)</u>	
Combined Adjustment		\$ 264,480

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation increased by \$1,026,735, and second, \$3,035,188 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(4,061,923)

An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

653,893

**Change in Net Position of Governmental Activities**

\$ (22,363,625)

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

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Business-Type Activities Enterprise Fund Cafeteria</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 6,493,246	\$ 1,387,242
Receivables	2,426,466	835
Due from other funds	6,001	1,258
Prepaid expenses	8,876	-
Stores inventories	440,128	-
<b>Total Current Assets</b>	<b>9,374,717</b>	<b>1,389,335</b>
<b>Noncurrent Assets</b>		
Capital assets	2,975,712	-
Less: accumulated depreciation	(1,006,235)	-
<b>Total Noncurrent Assets</b>	<b>1,969,477</b>	<b>-</b>
<b>Total Assets</b>	<b>11,344,194</b>	<b>1,389,335</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	15,345	-
Due to other funds	52,628	-
Current portion of claim liability	-	381,182
<b>Total Current Liabilities</b>	<b>67,973</b>	<b>381,182</b>
<b>NET POSITION</b>		
Net investment in capital assets	1,969,477	-
Restricted	9,306,744	1,008,153
<b>Total Net Position</b>	<b>\$ 11,276,221</b>	<b>\$ 1,008,153</b>

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

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-Type Activities Enterprise Fund Cafeteria</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 876,675	\$ -
Charges to other funds and miscellaneous revenues	24,021	6,181,704
<b>Total Operating Revenues</b>	<u>900,696</u>	<u>6,181,704</u>
<b>OPERATING EXPENSES</b>		
Payroll costs	6,027,659	54,565
Professional and contract services	(5,403)	5,475,769
Supplies and materials	5,604,146	-
Facility rental	157,186	-
Other operating cost	713,329	-
Depreciation	103,472	-
<b>Total Operating Expenses</b>	<u>12,600,389</u>	<u>5,530,334</u>
<b>Operating Loss</b>	<u>(11,699,693)</u>	<u>651,370</u>
<b>NONOPERATING REVENUES</b>		
Interest income	19,320	2,523
Federal Grants	12,120,794	-
State Grants	833,238	-
<b>Total Nonoperating Revenues</b>	<u>12,973,352</u>	<u>2,523</u>
<b>Change in Net Position</b>	1,273,659	653,893
<b>Total Net Position - Beginning</b>	10,002,562	354,260
<b>Total Net Position - Ending</b>	<u>\$ 11,276,221</u>	<u>\$ 1,008,153</u>

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

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-Type Activities Enterprise Fund Cafeteria</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 473,556	\$ 6,182,276
Cash payments to employees for services	(6,029,410)	-
Cash payments to suppliers for goods and services	(5,697,719)	-
Cash payments for interfund services	-	(5,474,278)
Cash payments for facility use	(157,186)	-
Other operating cash payments	(713,329)	(54,565)
Net Cash (Used in) Provided by Operating Activities	(12,124,088)	653,433
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating grants received	12,954,032	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(117,234)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	19,320	2,523
Net Increase in Cash and Cash Equivalents	732,030	655,956
Cash and Cash Equivalents - Beginning	5,761,216	731,286
Cash and Cash Equivalents - Ending	\$ 6,493,246	\$ 1,387,242
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (11,699,693)	\$ 651,370
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation	103,472	-
Changes in assets and liabilities:		
Receivables	(425,088)	(504)
Due from other fund	(2,052)	1,076
Prepaid expenses	(8,876)	-
Inventories	(89,057)	-
Accounts payable	(1,043)	-
Due to other fund	(1,751)	-
Claim liabilities	-	1,491
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (12,124,088)</b>	<b>\$ 653,433</b>

**NONCASH, NONCAPITAL FINANCING ACTIVITIES**

During the year, the District received \$596,070 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 POSITION  
JUNE 30, 2013**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 430,126
<b>LIABILITIES</b>	
Due to student groups	\$ 430,126

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

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Coachella Valley Unified School District (the District) was organized on July 1, 1973, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two four-year high schools, one continuation high school, an adult education extension program, eleven Head Start classrooms, one Early Head Start classroom, four State preschool classrooms, and eight childcare centers. There were no boundary changes during the year.

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.

#### Other Related Entities

The District has approved a charter for the NOVA Academy Charter School pursuant to *Education Code* Section 47605. The NOVA Academy Charter School is operated by a separate governing board and is not considered a component unit of the District. The District receives revenue on behalf of the NOVA Academy Charter School which it passes on to the Charter. The NOVA Academy Charter School receives Federal and State funds for specific purposes that is subject to review and audit by grantor agencies.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### **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 the District. All transactions except those accounted for 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.

### **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, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**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 used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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**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).

**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 and redevelopment agency funds for the City of La Quinta, Riverside County, and the City of Coachella monies for capital outlay purposes (*Education Code* Section 42840). In addition, the capital project and debt service activity for the 2003 Certificates of Participation (School Financing Project and East Coachella School Facilities Project) and the 2006 and 2006B Certificates of Participation is accounted for in the Special Reserve Fund for Capital Outlay Projects.

**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 used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

**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 position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

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

**Internal Service Fund** Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a dental and vision program that is accounted for in an internal service fund.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. 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 position 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 position for other activities resulted from the Internal Service Fund and the restriction 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

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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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 Balances 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 Position. The statement of changes in fund net position 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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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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, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **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, 2013, 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 Position. 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

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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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 Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. 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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **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, 2013

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### **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 position. 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 Balances - Governmental Funds**

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is 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 position is available. The government-wide financial statements report net position, restricted by enabling legislation of \$30,863,770.

### 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 are 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.

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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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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 budget purposes, 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.

### New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 120,143,557
Business-type activities	6,493,246
Fiduciary funds	430,126
Total Deposits and Investments	<u>\$ 127,066,929</u>

Deposits and investments as of June 30, 2013, consisted of the following:

Cash on hand and in banks	\$ 676,997
Cash in revolving	52,025
Investments	126,337,907
Total Deposits and Investments	<u>\$ 127,066,929</u>

#### Policies and Practices

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

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

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### 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

### Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	None	None
State Bonds and Notes	N/A	None	None
Federal Housing Administration Debentures (FHA)	N/A	None	None
Federal Home Administration Certificates (FmHA)	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations (FHLMC or "Freddie Mac")	N/A	None	None
Farm Credit Banks Bonds and Notes	N/A	None	None
Federal Home Loan Banks Obligations	3 years	None	None
Federal National Mortgage Association Obligations (FNMA or "Fannie Mae")	3 years	None	None

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Authorized Under Debt Agreements, Continued**

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Student Loan Marketing Association Obligations (SLMA or "Sallie Mae")	N/A	None	None
Financing Corporation Obligations (FICO)	N/A	None	None
Resolution Funding Corporation Obligations (REFCORP)	3 years	None	None
General Housing Administration Certificates	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association	N/A	None	None
Small Business Administration Certificates	N/A	None	None
U.S. Department of Housing and Urban Development Bonds (HUD)	N/A	None	None
U.S. Maritime Administration Financings	N/A	None	None
Washington Metropolitan Area Transit Authority Bonds	N/A	None	None
Unsecured Certificates of Deposit, Time Deposits, and Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	270 days	None	None
Investment Agreement	N/A	None	None
Pre-Funded Municipal Obligations	N/A	None	None
State Sponsored Investment Pools (LAIF)	N/A	None	None
Forward Delivery Agreements	N/A	None	None
Guaranteed Pool Certificates	N/A	None	None
Riverside County Investment Pool	N/A	None	None
Export-Import Bank	N/A	None	None
Rural Economic Community Development Administration	N/A	None	None
Federal Financing Bank	N/A	None	None
Municipal Obligations	N/A	None	None
State General Obligations	N/A	None	None
Government Money Market Mutual Funds	1 year	None	None
California Asset Management Program (CAMP)	N/A	None	None
Deposit accounts, Federal Funds and Bankers' Acceptances with Domestic Commercial Banks	360 days	None	None
Deposits which are fully insured by Federal Deposit Insurance Corporation (FDIC)	N/A	None	None
Money Market Funds registered under the Federal Investment Company Act of 1941	N/A	None	None
Secured Certificates of Deposit	1 year	None	None
Federal Funds, Deposit Accounts or Bank Acceptances	1 year	None	None
Senior Debt Obligations of Other Government Sponsored Agencies approved in advanced by the Certificate Insurer	3 years	None	None

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**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 Riverside County Investment 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.

**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	Average Maturity in Days and Maturity Date
Riverside County Investment Pool	\$ 122,047,180	\$ 121,691,671	515
First American Treasury Obligations - Money Market Mutual Funds	3,636,617	3,636,617	47
FSA Master Capital Management Investment Agreement	654,110	651,110	8/28/2035
Total	\$ 126,337,907	\$ 125,979,398	

**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 Riverside County Investment Pool is not required to be rated, as of year-end it reflected an Aaa rating by Moody's Investors Service. Likewise, the First American Treasury Obligations Money Market Mutual Funds reflected an Aaa rating by Moody's Investors Service. The Investment Agreement was not rated, nor is required to be rated.

**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 agency. 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, 2013, the District's bank balance of \$517,325 was insured and/or 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, 2013**

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund
Federal Government				
Categorical aid	\$ 3,610,517	\$ -	\$ 1,977	\$ -
State Government				
Apportionment	15,823,350	-	-	-
Categorical aid	2,697,907	-	852,566	-
Lottery	1,608,704	-	-	-
Special Education	346,612	-	-	-
Local Government				
Interest	3,548	59,177	12,163	835
Other Local Sources	3,965,568	-	48,202	-
Total	<u>\$ 28,056,206</u>	<u>\$ 59,177</u>	<u>\$ 914,908</u>	<u>\$ 835</u>

	Total Governmental Activities	Cafeteria Enterprise Fund
Federal Government		
Categorical aid	\$ 3,612,494	\$ 2,241,997
State Government		
Apportionment	15,823,350	-
Categorical aid	3,550,473	149,850
Lottery	1,608,704	-
Special Education	346,612	-
Local Government		
Interest	75,723	4,602
Other Local Sources	4,013,770	30,017
Total	<u>\$ 29,031,126</u>	<u>\$ 2,426,466</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 32,201,723	\$ -	\$ -	\$ 32,201,723
Construction in process	11,852,627	5,306,149	2,488,280	14,670,496
Total Capital Assets Not Being Depreciated	<u>44,054,350</u>	<u>5,306,149</u>	<u>2,488,280</u>	<u>46,872,219</u>
Capital Assets Being Depreciated				
Land improvements	24,344,529	1,112,342	-	25,456,871
Buildings and improvements	356,386,164	1,375,938	-	357,762,102
Furniture and equipment	21,119,883	10,761,062	-	31,880,945
Total Capital Assets Being Depreciated	<u>401,850,576</u>	<u>13,249,342</u>	<u>-</u>	<u>415,099,918</u>
Less Accumulated Depreciation				
Land improvements	5,532,022	1,109,892	-	6,641,914
Buildings and improvements	62,201,330	7,436,769	-	69,638,099
Furniture and equipment	15,481,983	1,126,555	-	16,608,538
Total Accumulated Depreciation Governmental Activities Capital Assets, Net	<u>\$ 83,215,335</u>	<u>\$ 9,673,216</u>	<u>\$ -</u>	<u>\$ 92,888,551</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 1,929,888	\$ -	\$ -	\$ 1,929,888
Furniture and equipment	928,590	117,234	-	1,045,824
Total Capital Assets Being Depreciated	<u>2,858,478</u>	<u>117,234</u>	<u>-</u>	<u>2,975,712</u>
Less Accumulated Depreciation				
Buildings and improvements	334,374	40,541	-	374,915
Furniture and equipment	568,389	62,931	-	631,320
Total Accumulated Depreciation Business-Type Activities Capital Assets, Net	<u>\$ 902,763</u>	<u>\$ 103,472</u>	<u>\$ -</u>	<u>\$ 1,006,235</u>
	<u>\$ 1,955,715</u>	<u>\$ 13,762</u>	<u>\$ -</u>	<u>\$ 1,969,477</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**Governmental Activities**

Instruction	\$ 8,705,894
Home-to-school transportation	290,196
All other pupil services	386,930
Plant services	290,196
Total Depreciation Expenses Governmental Activities	<u>9,673,216</u>

**Business-Type Activities**

Food services	103,472
Total Depreciation Expenses All Activities	<u><u>\$ 9,776,688</u></u>

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2013, between major funds, non-major governmental funds, internal service 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	\$ -	\$ 945,096	\$ 52,527	\$ 997,623
Building Fund	7,000,000	-	-	7,000,000
Non-Major Governmental Funds	641,854	-	-	641,854
Cafeteria Enterprise Fund	1,754	4,247	-	6,001
Internal Service Fund	1,140	17	101	1,258
Total	<u>\$ 7,644,748</u>	<u>\$ 949,360</u>	<u>\$ 52,628</u>	<u>\$ 8,646,736</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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The balance of \$7,000,000 is due to the Building Fund from the General Fund for the repayment of a temporary loan.

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

A balance of \$221,530 is due to the Child Development Non-Major Governmental Fund from the General Fund as a contribution.

A balance for \$300,000 is due to the General Fund from the Adult Education Non-Major Governmental Fund for a temporary loan.

A balance of \$500,000 is due to the General Fund from the Child Development Non-Major Governmental Fund for a temporary loan.

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

**Operating Transfers**

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	
Non-Major Governmental Funds	<u>\$ 1,506,731</u>	<u>\$ 1,087,500</u>	<u>\$ 2,594,231</u>

The General Fund transferred to the Deferred Maintenance Non-Major Fund for the District contribution. \$ 400,000

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects RDA monies received. 791,593

The General Fund transferred to the Child Development Non-Major Governmental Fund as a contribution. 315,138

The Special Reserve Fund for Capital Outlay Projects transferred to the Capital Project Fund for Blended Component Units Non-Major Governmental Fund for reimbursement of interest and principal. 1,087,500

Total \$ 2,594,231

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Cafeteria Enterprise Fund
State apportionment	\$ 2,406,186	\$ -	\$ -	\$ 2,406,186	\$ -
Salaries and benefits	131,038	-	1,992	133,030	12,616
Supplies	149,474	1,324	399	151,197	2,006
Services	1,105,561	82,379	6,431	1,194,371	723
Construction	-	26,091	33,122	59,213	-
Other	140,677	-	-	140,677	-
Total	<u>\$ 3,932,936</u>	<u>\$ 109,794</u>	<u>\$ 41,944</u>	<u>\$ 4,084,674</u>	<u>\$ 15,345</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2013, consisted of the following:

	General Fund
Federal financial assistance	\$ 298,128
State categorical aid	107,345
Other local	6,368
Total	<u>\$ 411,841</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance <u>July 1, 2012</u>	Additions	Deductions	Balance <u>June 30, 2013</u>	Due in <u>One Year</u>
General obligation bonds	\$ 119,721,147	\$ 78,290,070	\$ 1,995,000	\$ 196,016,217	\$ 2,490,000
Premium on issuance	5,441,183	2,711,468	361,852	7,790,799	-
Certificates of participation	35,265,000	-	1,260,000	34,005,000	605,000
Premium on issuance	1,423,941	-	62,077	1,361,864	-
Capital leases	2,279,000	8,306,200	1,924,488	8,660,712	3,772,438
Accumulated vacation - net	1,670,783	66,083	-	1,736,866	-
Claim liabilities	379,691	3,050,943	3,049,452	381,182	381,182
Supplemental Early Retirement Plan (SERP)	4,999,650	-	1,551,331	3,448,319	1,423,795
2012 Lease refinancing	12,625,000	-	425,000	12,200,000	445,000
Other postemployment benefits (OPEB)	4,310,727	4,971,516	2,916,354	6,365,889	-
	<u>\$ 188,116,122</u>	<u>\$ 97,396,280</u>	<u>\$ 13,545,554</u>	<u>\$ 271,966,848</u>	<u>\$ 9,117,415</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 and the 2012 Lease Refinancing are made by the Special Reserve Fund for Capital Outlay Projects. 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. When an employee retires and is paid from categorical funds, any excessive vacation payoff not earned in the last year worked, will be paid from the General Fund. Payments for claims liability are made from the Self-Insurance Fund. Payments for the Supplemental Early Retirement Program are made from the General Fund. Other postemployment benefits are generally paid by the General Fund.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**General Obligations Bonds**

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 1, 2012	Issued	Accreted	Redeemed	Outstanding June 30, 2013
1997 Series B	8/1/98	8/1/23	3.70-5.28%	\$ 9,999,278	\$ 12,645,733	\$ -	\$ 643,639	\$ 900,000	\$ 12,389,372
2005 Series A	8/19/05	8/1/30	3.00-5.09%	49,998,180	48,413,817	-	61,023	525,000	47,949,840
2005 Series B	2/7/07	8/1/31	4.00-5.00%	30,000,000	24,475,000	-	-	100,000	24,375,000
2005 Series C	5/12/10	8/1/43	6.82-10.51%	24,990,463	28,086,597	-	1,984,196	-	30,070,793
2010 Refunding	5/12/10	8/1/22	2.75-4.50%	6,560,000	6,100,000	-	-	470,000	5,630,000
2005 Series D	7/12/12	8/1/43	3.00-5.97%	54,999,882	-	54,999,882	346,330	-	55,346,212
2012 Series A	4/25/13	8/1/28	0.91-3.55%	20,255,000	-	20,255,000	-	-	20,255,000
					<u>\$ 119,721,147</u>	<u>\$ 75,254,882</u>	<u>\$ 3,035,188</u>	<u>\$ 1,995,000</u>	<u>\$ 196,016,217</u>

**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 final maturity to occur on August 1, 2023, with interest yields varying from 3.70 to 5.28 percent. At June 30, 2013, 1997 General Obligation Bonds, Series B, totaling \$12,389,372 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 final maturity to occur on August 1, 2030, with interest yields varying from 3.00 to 5.09 percent. At June 30, 2013, the principal balance outstanding (including accreted interest to date) was \$47,949,840 and unamortized premium and issuance costs were \$2,303,432 and \$525,889, 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 final maturity to occur on August 1, 2031, with interest yields varying from 4.00 to 5.00 percent. At June 30, 2013, the principal balance outstanding was \$24,375,000 and unamortized premium and issuance costs were \$1,383,885 and \$347,524, respectively.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

On May 12, 2010, the District issued the 2005 Series C General Obligation Bonds in the amount of \$24,990,463 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 issued were capital appreciation bonds accreting to a maturing principal balance of \$143,307,445. The bonds have a final maturity to occur on August 1, 2043, with interest yields varying from 6.82 to 10.51 percent. At June 30, 2013, the principal balance outstanding was \$30,090,793 and unamortized premium and issuance costs were \$1,367,260 and \$1,367,260, respectively.

### **2010 General Obligation Refunding Bonds**

On May 12, 2010, the District issued the 2010 General Obligation Refunding Bonds in the amount of \$6,560,000. The bonds were issued to advance refund \$6,420,000 of the outstanding 1997 General Obligation Bonds, Series A. The bonds associated with the issuance were placed in an escrow account with U.S. Bank for the future redemption of Series A bonds to occur on August 1, 2010. The difference between the cash flows of the refunded debt and the new issuance was \$524,952. The economic gain (the difference between the present value of the refunded debt and new issuance) resulting from the refunding was \$410,889. The bonds have a final maturity to occur on August 1, 2022, with interest yields varying from 2.74 to 4.50 percent. At June 30, 2013, the principal balance outstanding was \$5,630,000 and unamortized premium and issuance costs were \$112,221 and \$98,617, respectively.

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

On July 12, 2012, the District issued the 2005 Series D General Obligation Bonds in the amount of \$54,999,882. The Series D Bonds represent the fourth series of the authorized bonds to be issued under the authorization as approved by voters. The bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting \$51,500,000, and maturing to an aggregate principal debt service balance of \$96,400,000. The bonds mature August 1, 2043, with interest yields of 3.00 to 5.97 percent. Proceeds from the bonds are used 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. At June 30, 2013, the principal balance outstanding was \$55,346,212. Unamortized premium received on issuance of the bonds amounted to \$2,624,001 as of June 30, 2013.

### **2012 General Obligation Bonds, Series A**

On April 25, 2013, the District issued the 2012 Series A General Obligation Bonds in the amount of \$20,255,000 to finance the purchase of technology equipment and the construction, renovation, and repair of District facilities and infrastructure projects, and to pay issuance costs. The bonds have a final maturity to occur on August 1, 2028, with interest yields varying from 0.91 to 3.55 percent. At June 30, 2013, the principal balance outstanding was \$20,255,000.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2014	\$ 2,469,170	\$ 20,830	\$ 6,255,297	\$ 8,745,297
2015	4,629,719	75,281	6,344,621	11,049,621
2016	5,445,966	134,034	6,218,118	11,798,118
2017	5,682,986	202,014	6,062,516	11,947,516
2018	6,058,952	276,048	5,880,866	12,215,866
2019-2023	34,839,373	3,065,627	25,958,562	63,863,562
2024-2028	38,066,303	7,838,697	19,092,869	64,997,869
2029-2033	40,249,726	17,005,274	10,479,942	67,734,942
2034-2038	39,820,214	36,244,786	3,887,875	79,952,875
2039-2043	15,784,656	78,222,789	-	94,007,445
2044-2045	2,969,152	17,530,848	-	20,500,000
Total	<u>\$ 196,016,217</u>	<u>\$ 160,616,228</u>	<u>\$ 90,180,666</u>	<u>\$ 446,813,111</u>

**Certificates of Participation**

The outstanding Certificates of Participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2012	Outstanding Redeemed	Outstanding June 30, 2013
4/3/03	9/1/31	4.00% - 5.00%	\$ 15,500,000	\$ 10,875,000	\$ 800,000	\$ 10,075,000
11/6/03	9/1/17	2.50% - 4.125%	3,500,000	1,565,000	310,000	1,255,000
12/7/06	9/1/36	4.00%-5.25%	23,500,000	22,825,000	150,000	22,675,000
			<u>\$ 42,500,000</u>	<u>\$ 35,265,000</u>	<u>\$ 1,260,000</u>	<u>\$ 34,005,000</u>

**2003 Certificates of Participation (School Financing Project)**

On April 3, 2003, the District, in conjunction with the Riverside County Schools Financing Corporation, issued \$15,500,000 in 2003 Certificates of Participation, with interest rates ranging from 4.00 to 5.00 percent, to finance the construction and renovation of school facilities and to advance refund \$5,490,000 of outstanding 1991 Certificates of Participation. The 2003 Certificates have final maturity to occur on 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, 2013, the principal balance outstanding was \$10,075,000 and unamortized premium and issuance costs were \$107,673 and \$304,965, respectively.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The certificates mature through 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 170,000	\$ 485,443	\$ 655,443
2015	200,000	478,213	678,213
2016	225,000	469,488	694,488
2017	250,000	459,513	709,513
2018	275,000	448,213	723,213
2019-2023	1,570,000	2,044,544	3,614,544
2024-2028	3,265,000	1,477,624	4,742,624
2029-2032	4,120,000	443,498	4,563,498
Total	<u>\$ 10,075,000</u>	<u>\$ 6,306,536</u>	<u>\$ 16,381,536</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. Pursuant to a lease/purchase agreement, the District will lease a school site to the Corporation and will lease the site back from the Corporation. The 2003 Certificates have a final maturity to occur on 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, 2013, the principal balance outstanding was \$1,255,000 and unamortized premium and issuance costs were \$13,343 and \$22,954, respectively.

Year Ending June 30,	Principal	Interest	Total
2014	\$ 250,000	\$ 46,455	\$ 296,455
2015	85,000	39,755	124,755
2016	135,000	35,288	170,288
2017	185,000	28,635	213,635
2018	600,000	12,375	612,375
Total	<u>\$ 1,255,000</u>	<u>\$ 162,508</u>	<u>\$ 1,417,508</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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 final maturity to occur on September 1, 2036. At June 30, 2013, the principal balance outstanding was \$22,675,000 and unamortized premium and issuance costs were \$1,240,848 and \$326,335, respectively.

Year Ending June 30,	Principal	Interest	Total
2014	\$ 185,000	\$ 1,131,750	\$ 1,316,750
2015	-	1,128,050	1,128,050
2016	-	1,128,050	1,128,050
2017	40,000	1,127,150	1,167,150
2018	50,000	1,125,125	1,175,125
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
2034-2038	6,650,000	692,500	7,342,500
Total	<u>\$ 22,675,000</u>	<u>\$ 18,727,900</u>	<u>\$ 41,402,900</u>

**Capital Leases**

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

Balance, July 1, 2012	\$ 2,374,000
Additions	8,410,623
Payments	<u>2,006,988</u>
Balance, June 30, 2013	<u>\$ 8,777,635</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payments
2014	\$ 3,816,041
2015	2,803,541
2016	2,158,053
Total	<u>8,777,635</u>
Less: Amount Representing Interest	116,923
Present Value of Minimum Lease Payments	<u><u>\$ 8,660,712</u></u>

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$1,736,866.

**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, 2013, amounted to \$381,182.

**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, 154 employees who have retired after 2003 have elected to receive these annuities, as purchased from United of Omaha and Principal Life Insurance.

Future annuity payments are as follows:

Year Ending June 30,	Total Payments
2014	\$ 1,423,795
2015	1,423,795
2016	469,599
2017	131,130
Total	<u><u>\$ 3,448,319</u></u>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### 2012 Lease Refinancing

On July 5, 2011, the District entered into a lease agreement with Banc of America Public Capital Corporation to advance funds of \$12,830,000. The lease refinancing has a final maturity of March 1, 2026, with an interest rate of 5.00 percent. The net proceeds of \$12,632,160 from the issuance (issuance of \$12,830,000 net of costs incurred on issuance of \$197,840) were used to current refund the District's outstanding 2006 Certificates of Participation (2006 School Financing Project), with the prepayment occurring July 7, 2011. Contributions from the 2006 Certificates of Participation reserve fund resulted in additional funds of \$1,271,025 placed with an escrow agent to satisfy prepayment of the remaining balance of the 2006 Certificates of Participation. The refinancing resulted in a cumulative cash flow increase of \$387,107 over the life of the new debt and an economic loss of \$6,312,170 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 5.00 percent. At June 30, 2013, the principal balance outstanding was \$12,200,000, and unamortized issuance costs were \$171,462.

Year Ending June 30,	Principal	Interest	Total
2014	\$ 445,000	\$ 604,500	\$ 1,049,500
2015	470,000	582,000	1,052,000
2016	495,000	558,125	1,053,125
2017	515,000	533,125	1,048,125
2018	545,000	507,000	1,052,000
2019-2023	3,140,000	2,095,000	5,235,000
2024-2026	6,590,000	849,750	7,439,750
Total	<u>\$ 12,200,000</u>	<u>\$ 5,729,500</u>	<u>\$ 17,929,500</u>

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$5,022,647, and contributions made by the District during the year were \$2,916,354. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$215,536 and (\$266,667), respectively, which resulted in an increase to the net OPEB obligation of \$2,055,162. As of June 30, 2013, the net OPEB obligation was \$6,365,889. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 50,000	\$ -	\$ -	\$ 50,000
Stores inventories	52,856	-	-	52,856
Prepaid expenditures	68,760	-	-	68,760
<b>Total Nonspendable</b>	<b>171,616</b>	<b>-</b>	<b>-</b>	<b>171,616</b>
<b>Restricted</b>				
Legally restricted programs	6,372,762	-	-	6,372,762
Capital projects	-	95,830,771	11,758,329	107,589,100
Debt services	-	-	7,533,339	7,533,339
<b>Total Restricted</b>	<b>6,372,762</b>	<b>95,830,771</b>	<b>19,291,668</b>	<b>121,495,201</b>
<b>Committed</b>				
Adult education program	-	-	366,948	366,948
Deferred maintenance program	-	-	987,058	987,058
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>1,354,006</b>	<b>1,354,006</b>
<b>Assigned</b>				
Capital projects	-	-	9,396,625	9,396,625
<b>Unassigned</b>				
Reserve for economic uncertainties	5,148,901	-	-	5,148,901
Remaining unassigned	5,890,727	-	-	5,890,727
<b>Total Unassigned</b>	<b>11,039,628</b>	<b>-</b>	<b>-</b>	<b>11,039,628</b>
<b>Total</b>	<b>\$ 17,584,006</b>	<b>\$ 95,830,771</b>	<b>\$ 30,042,299</b>	<b>\$ 143,457,076</b>

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Coachella Valley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 105 retirees and beneficiaries currently receiving benefits, and 1,665 active Plan members.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Coachella Valley Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$2,916,354 to the Plan, all of which was used for current premiums.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 5,022,647
Interest on net OPEB obligation	215,536
Adjustment to annual required contribution	<u>(266,667)</u>
Annual OPEB cost (expense)	4,971,516
Contributions made	<u>(2,916,354)</u>
Increase in net OPEB obligation	2,055,162
Net OPEB obligation, beginning of year	4,310,727
Net OPEB obligation, end of year	<u><u>\$ 6,365,889</u></u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Trend Information**

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 3,397,763	\$ 2,388,313	70%	\$ 3,248,958
2012	3,384,316	2,322,547	69%	4,310,727
2013	4,971,516	2,916,354	59%	6,365,889

**Funded Status and Funding Progress**

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2012	\$ -	\$ 20,192,972	\$ 20,192,972	0%	\$ 103,466,277	20%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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In the October 1, 2012, actuarial valuation, the entry age normal method was used. Currently, the District does not set aside assets in an irrevocable employee benefit trust. The assumptions include a five percent discount rate based on employer assets that are not restricted for other purposes and are expected to be used to finance benefit payments. Healthcare cost trend rates reflected an ultimate rate of four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2013, was 25 years.

### **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, 2013, 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 2013, 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, 2013

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### 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, 2011 to June 30, 2013:

	Dental and Vision
Liability Balance, July 1, 2011	\$ 453,522
Claims and changes in estimates	2,963,693
Claims payments	<u>(3,037,524)</u>
Liability Balance, June 30, 2012	379,691
Claims and changes in estimates	3,050,943
Claims payments	<u>(3,049,452)</u>
Liability Balance, June 30, 2013	<u>\$ 381,182</u>
Assets available to pay claims at June 30, 2013	<u><u>\$ 1,389,335</u></u>

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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, annual cost-of-living adjustments, 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, 100 Waterfront Place, West Sacramento, CA 95605.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 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, 2013, 2012, and 2011, were \$6,171,712, \$5,874,778, and \$5,953,126, respectively, and equal 100 percent of the required contributions for each year.

### **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 survivor 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 2012-2013 was 11.417 percent of covered 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, 2013, 2012, and 2011, were \$3,264,600, \$2,891,616, and \$2,898,665, 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.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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During the year, the District's required and actual contributions amounted to \$73,042, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$73,042, which was 3.75 percent of the covered payroll.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,734,581 (5.176 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. 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 budgeted amounts reported in the *General Fund - Budgetary Comparison 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, 2013.

#### **Litigation**

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

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Construction Commitments**

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Sea View Elementary Expansion	\$ 82,087	Undetermined at this time
Avenue 49 - High School #3	9,236	Undetermined at this time
North Shore Elementary #6	1,119,838	Undetermined at this time
All Schools - District - Security Surveillance	1,000,000	Undetermined at this time
Coachella Valley High Sports Fields Project	800,000	November 2013
Sea View Elementary - Shade Structure	178,388	December 2013
Westside Elementary - Shade Structure	239,710	January 2014
Cesar Chavez Elementary - Shade Structure	225,000	February 2014
John Kelley Elementary - Playfield Improvements and Shade Structure	181,624	February 2014
Saul Martinez Elementary -Playfield Improvement and Shade Structure	309,223	February 2014
Toro Canyon Middle - Shade Structure	89,710	February 2014
Valle del Sol Elementary - Shade Structure	195,322	February 2014
Las Palmitas Elementary - Shade Structure	165,884	March 2014
Mecca School - Shade Structure	100,000	March 2014
Desert Mirage High - Shade Structure	109,486	March 2014
Mountain Vista Elementary - Shade Structure	307,193	April 2014
Bobby Duke MS - Track and Shade Structures	1,589,327	May 2014
West Shores High - Athletic Field Improvements	1,517,424	May 2014
Cauilla Desert Academy - Track Lighting and ADA Upgrades	476,696	June 2014
Valley View Elementary - Shade Structure	310,619	June 2014
Palm View Elementary - New Parking with ADA, Office Remodel and Shade Structure	299,785	August 2014
Aquatic Center - Coachella Valley High	1,600,000	August 2014
District Expansion including Transportation	62,362,447	December 2015
	<u>\$ 73,268,999</u>	

# **COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **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, 2013, the District made payments of \$891,471 and \$3,313,034 to RSIA and RSRMA, respectively, for services received.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>REVENUES</b>				
Revenue limit sources	\$ 93,151,906	\$ 94,502,891	\$ 95,035,408	\$ 532,517
Federal sources	22,080,014	24,280,317	19,684,093	(4,596,224)
Other State sources	34,473,562	36,598,962	39,123,274	2,524,312
Other local sources	8,038,343	8,304,763	9,923,365	1,618,602
<b>Total Revenues</b> <sup>1</sup>	<u>157,743,825</u>	<u>163,686,933</u>	<u>163,766,140</u>	<u>79,207</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	76,168,618	75,202,388	75,200,162	2,226
Classified salaries	24,335,222	24,923,792	25,776,531	(852,739)
Employee benefits	41,803,517	42,663,171	45,625,578	(2,962,407)
Books and supplies	11,494,693	14,682,257	9,131,818	5,550,439
Services and operating expenditures	17,971,165	19,222,664	17,692,228	1,530,436
Capital outlay	-	796,905	820,665	(23,760)
Other outgo	(156,477)	(184,597)	17,434	(202,031)
<b>Total Expenditures</b> <sup>1</sup>	<u>171,616,738</u>	<u>177,306,580</u>	<u>174,264,416</u>	<u>3,042,164</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(13,872,913)</u>	<u>(13,619,647)</u>	<u>(10,498,276)</u>	<u>3,121,371</u>
<b>Other Financing Uses:</b>				
Transfers out	<u>(1,472,560)</u>	<u>(884,262)</u>	<u>(1,506,731)</u>	<u>(622,469)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(15,345,473)</u>	<u>(14,503,909)</u>	<u>(12,005,007)</u>	<u>2,498,902</u>
<b>Fund Balance - Beginning</b>	<u>29,589,013</u>	<u>29,589,013</u>	<u>29,589,013</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 14,243,540</u>	<u>\$ 15,085,104</u>	<u>\$ 17,584,006</u>	<u>\$ 2,498,902</u>

<sup>1</sup> On behalf payments of \$3,734,581 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
May 1, 2010	\$ -	\$ 20,029,575	\$ 20,029,575	0%	\$ 97,681,039	21%
October 1, 2012	-	20,192,972	20,192,972	0%	103,466,277	20%

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*SUPPLEMENTARY INFORMATION*

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**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Awards:			
Indian Education	84.060A	[1]	\$ 15,852
Impact Aid	84.041	[1]	623,919
Readiness and Emergency Management for Schools	84.184E	[1]	79,772
Elementary and Secondary School Counseling Demonstration	84.215E	[1]	359,709
Passed through California Department of Education (CDE):			
Adult Education Grants:			
Adult Basic Education - ESL	84.002A	14508	88,672
Adult Basic Education - Adult Secondary Education	84.002A	13978	65,922
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	88,307
No Child Left Behind Act (NCLB):			
School Improvement Grants Cluster:			
Title I, School Improvement Grant for Quality Education Investment Act (QEIA) Schools	84.377	14971	1,281,691
ARRA Title I, School Improvement Grant for Quality Education Investment Act (QEIA) Schools	84.389	15004	483,775
Subtotal for School Improvement Grants Cluster			1,765,466
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	7,947,311
Title I, Part G - Advanced Placement Test Fee	84.330	14831	7,711
Title II, Part A - Improving Teacher Quality	84.367	14341	264,717
Title II, Part A - Principal Training	84.367	14344	750
Title II, Part B - CA Mathematics and Science Partnership	84.366	14512	28,277
Title II, Part D - Enhancing Education Through Technology Formula Grant	84.318	14334	4,016
Title III - Limited English Proficiency	84.365	10084	1,193,417
Title IV, Part B - 21st Century Community Learning Centers	84.287	14604	393,302
Vocational Education Grants			
Applied Technology - Secondary Education	84.048	13924	246,045
Passed through Riverside County Office of Education:			
Title I, Part C - Migrant Education	84.011	14326	877,420
Title I, Part C - Migrant Education Summer Program	84.011	10005	129,053
Passed through Riverside County SELPA:			
Special Education Cluster (IDEA):			
Federal Preschool	84.173	13430	33,839
Local Assistance	84.027	13379	2,376,726
Preschool Local Assistance	84.027A	13682	77,978
Preschool Staff Development	84.173A	13431	340
Mental Heal Services, Part B	84.027A	14468	5,793
Subtotal for Special Education Cluster (IDEA)			2,494,676
Total U.S. Department of Education			16,674,314

[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, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13390	\$ 2,282,468
National School Lunch Program	10.555	13523, 13524	6,905,976
Meal Supplements	10.555	13666	262,738
Food Distribution	10.555	13523, 13524	596,070
Summer Food Program	10.559	13004	109,626
Subtotal for Child Nutrition Cluster			<u>10,156,878</u>
Child and Adult Care Food Program	10.558	13665	1,436,538
Fresh Fruit and Vegetable Program	10.582	14968	527,378
Total U.S. Department of Agriculture			<u>12,120,794</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health and Human Services:			
Medi-Cal Billing Option	93.778	10013	<u>52,906</u>
Passed through Riverside County Office of Education [2]:			
Head Start Cluster:			
Head Start	93.600	10016	2,399,557
Early Head Start	93.600	10016	629,869
Subtotal for Head Start Cluster			<u>3,029,426</u>
Passed through CDE:			
Child Care Development (CCDF) Fund Cluster:			
CCDF Matching General Child Development Program	93.596	13609	264,680
CCDF Discretionary General Child Care FF	93.575	15136	142,539
Subtotal for Child Care Development Fund Cluster			<u>407,219</u>
Total U.S. Department of Health and Human Services			<u>3,489,551</u>
Total Expenditures of Federal Awards			<u>\$ 32,284,659</u>

[2] Does not include District in-kind contributions of \$969,847 to meet Federal matching requirements.

See accompanying note to supplementary information.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

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### 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 fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two four-year high schools, one continuation high school, an adult education extension program, eleven Head Start classrooms, one Early Head Start classroom, four State preschool classrooms, and eight childcare centers. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Lowell Kamper	President	2016
Manuel Jarvis Martinez	Vice President	2016
Meagen Caress	Clerk	2014
Juanita D. Duarte	Member	2014
Maria G. Machuca	Member	2016
Joe Murillo	Member	2016
Anna Lisa Vargas	Member	2014

### ADMINISTRATION

Dr. Darryl S. Adams	Superintendent
John R. Ramont	Assistant Superintendent, Business and Finance
Elaine Alexandres	Assistant Superintendent, Human Resources
Jason Angle	Assistant Superintendent, Educational Services
Gregory Fromm	Assistant Superintendent, Administrative Services

See accompanying note to supplementary information.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

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	Final Report	
	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	1,566	1,575
First through third	4,502	4,500
Fourth through sixth	4,176	4,176
Seventh and eighth	2,517	2,516
Home and hospital	10	10
Special education	481	492
Total Elementary	<u>13,252</u>	<u>13,269</u>
<b>SECONDARY</b>		
Regular classes	4,357	4,268
Continuation education	105	99
Home and hospital	10	11
Special education	142	136
Total Secondary	<u>4,614</u>	<u>4,514</u>
Total K-12	<u><u>17,866</u></u>	<u><u>17,783</u></u>

See accompanying note to supplementary information.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2013

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	2012-13	2012-13	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Time Goal	Average of	Traditional	Multitrack	
	Minutes	Minutes	Requirement	Requirement	Minutes	Average	Actual Time	Calendar	Calendar	
Kindergarten	31,500	30,625	36,000	35,000	55,690	N/A	N/A	180	-	Complied
Grades 1 - 3	48,560	47,211	50,400	49,000						
Grade 1					53,140	53,049	53,140	180	-	[1]
Grade 2					53,140	53,049	53,140	180	-	[1]
Grade 3					53,140	53,049	53,140	180	-	[1]
Grades 4 - 8	58,730	57,099	54,000	52,500						
Grade 4					53,140	53,049	53,140	180	-	[1]
Grade 5					53,140	53,049	53,140	180	-	[1]
Grade 6					53,140	53,049	53,140	180	-	[1]
Grade 7					59,555	N/A	N/A	180	-	Complied
Grade 8					59,555	N/A	N/A	180	-	Complied
Grades 9 - 12	58,730	57,099	64,800	63,000						
Grade 9					63,115	N/A	N/A	180	-	Complied
Grade 10					63,115	N/A	N/A	180	-	Complied
Grade 11					63,115	N/A	N/A	180	-	Complied
Grade 12					63,115	N/A	N/A	180	-	Complied

[1] The District used the weighted average method to meet the compliance requirements of the longer day by averaging the actual minutes for 2012-2013 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, 2013**

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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, 2013, Unaudited Actuals	\$ 15,177,402
Decrease in:	
Accounts receivable	(159,494)
Increase in:	
Accounts receivable	2,566,098
Balance, June 30, 2013, Audited Financial Statement	<u><u>\$ 17,584,006</u></u>

See accompanying note to supplementary information.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	(Budget) 2014 <sup>1</sup>	2013	2012	2011
GENERAL FUND				
Revenues	\$ 173,313,845	\$ 163,766,140	\$ 166,888,515	\$ 169,867,794
Expenditures	182,874,029	174,264,416	162,948,385	162,113,425
Other uses and transfers out	1,683,933	1,506,731	1,737,067	1,717,104
Total Expenditures and Other Uses	184,557,962	175,771,147	164,685,452	163,830,529
INCREASE (DECREASE) IN FUND BALANCE	\$ (11,244,117)	\$ (12,005,007)	\$ 2,203,063	\$ 6,037,265
ENDING FUND BALANCE	\$ 6,339,889	\$ 17,584,006	\$ 29,589,013	\$ 27,385,950
AVAILABLE RESERVES <sup>2</sup>	\$ 3,541,523	\$ 11,039,628	\$ 20,470,766	\$ 18,006,678
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	1.92%	6.42%	12.72%	11.20%
LONG-TERM OBLIGATIONS	N/A	\$ 271,966,848	\$ 188,116,122	\$ 192,993,404
K-12 AVERAGE DAILY ATTENDANCE AT P-2	17,844	17,866	17,623	17,566

The General Fund balance has decreased by \$9,801,944 over the past two years. The fiscal year 2013-2014 budget projects a further decrease of \$11,244,177 (63.9 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by \$78,973,444 over the past two years.

Average daily attendance has increased by 300 over the past two years. A decline of 22 ADA is anticipated during fiscal year 2013-2014.

<sup>1</sup> Budget 2014 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$3,734,581, \$3,715,800, and \$3,079,011, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

See accompanying note to supplementary information.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2013**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
NOVA Academy (Charter Number 121673)	No

See accompanying note to supplementary information.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 66,685	\$ 126,418	\$ 581,616	\$ 4,013,275
Receivables	630,110	254,599	15,807	5,875
Due from other funds	20,324	221,530	400,000	-
<b>Total Assets</b>	<b>\$ 717,119</b>	<b>\$ 602,547</b>	<b>\$ 997,423</b>	<b>\$ 4,019,150</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,366	\$ 1,992	\$ 10,365	\$ 4,514
Due to other funds	348,805	600,555	-	-
<b>Total Liabilities</b>	<b>350,171</b>	<b>602,547</b>	<b>10,365</b>	<b>4,514</b>
<b>Fund Balances:</b>				
Restricted	-	-	-	4,014,636
Committed	366,948	-	987,058	-
Assigned	-	-	-	-
<b>Total Fund Balances</b>	<b>366,948</b>	<b>-</b>	<b>987,058</b>	<b>4,014,636</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 717,119</b>	<b>\$ 602,547</b>	<b>\$ 997,423</b>	<b>\$ 4,019,150</b>

See accompanying note to supplementary information.

<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 3,344,579	\$ 13,681,560	\$ 129,369	\$ 7,533,339	\$ 29,476,841
2,725	5,792	-	-	914,908
-	-	-	-	641,854
<u>\$ 3,347,304</u>	<u>\$ 13,687,352</u>	<u>\$ 129,369</u>	<u>\$ 7,533,339</u>	<u>\$ 31,033,603</u>
\$ 23,707	\$ -	\$ -	\$ -	\$ 41,944
-	-	-	-	949,360
<u>23,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>991,304</u>
3,323,597	4,290,727	129,369	7,533,339	19,291,668
-	-	-	-	1,354,006
-	9,396,625	-	-	9,396,625
<u>3,323,597</u>	<u>13,687,352</u>	<u>129,369</u>	<u>7,533,339</u>	<u>30,042,299</u>
<u>\$ 3,347,304</u>	<u>\$ 13,687,352</u>	<u>\$ 129,369</u>	<u>\$ 7,533,339</u>	<u>\$ 31,033,603</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>				
Federal sources	\$ 242,901	\$ 407,219	\$ -	\$ -
Other State sources	969,097	1,429,991	-	-
Other local sources	121,552	96,576	2,815	1,098,771
<b>Total Revenues</b>	<u>1,333,550</u>	<u>1,933,786</u>	<u>2,815</u>	<u>1,098,771</u>
<b>EXPENDITURES</b>				
Current				
Instruction	853,886	2,135,023	-	-
Instruction-related activities:				
Supervision of instruction	120,705	28,012	-	-
School site administration	242,483	75,537	-	-
General administration:				
All other general administration	45,571	-	-	-
Plant services	47,600	10,352	-	-
Facility acquisition and construction	-	-	694,347	127,152
Other outgo	-	-	-	-
Debt service				
Principal	-	-	-	79,000
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>1,310,245</u>	<u>2,248,924</u>	<u>694,347</u>	<u>206,152</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>23,305</u>	<u>(315,138)</u>	<u>(691,532)</u>	<u>892,619</u>
<b>Other Financing Sources:</b>				
Transfers in	-	315,138	400,000	-
Other sources	-	-	-	-
Transfers out	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>315,138</u>	<u>400,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	23,305	-	(291,532)	892,619
<b>Fund Balances - Beginning</b>	343,643	-	1,278,590	3,122,017
<b>Fund Balances - Ending</b>	<u>\$ 366,948</u>	<u>\$ -</u>	<u>\$ 987,058</u>	<u>\$ 4,014,636</u>

See accompanying note to supplementary information.

<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 650,120
-	-	-	36,477	2,435,565
13,000	2,552,139	37,339	5,906,844	9,829,036
<u>13,000</u>	<u>2,552,139</u>	<u>37,339</u>	<u>5,943,321</u>	<u>12,914,721</u>
-	-	-	-	2,988,909
-	-	-	-	148,717
-	-	-	-	318,020
-	-	-	-	45,571
-	-	-	-	57,952
592,072	1,312,195	-	-	2,725,766
-	-	10	-	10
-	1,685,000	1,200,000	1,995,000	4,959,000
-	2,331,553	84,311	4,921,496	7,337,360
<u>592,072</u>	<u>5,328,748</u>	<u>1,284,321</u>	<u>6,916,496</u>	<u>18,581,305</u>
<u>(579,072)</u>	<u>(2,776,609)</u>	<u>(1,246,982)</u>	<u>(973,175)</u>	<u>(5,666,584)</u>
-	791,593	1,087,500	-	2,594,231
-	-	-	2,179,914	2,179,914
-	(1,087,500)	-	-	(1,087,500)
-	(295,907)	1,087,500	2,179,914	3,686,645
<u>(579,072)</u>	<u>(3,072,516)</u>	<u>(159,482)</u>	<u>1,206,739</u>	<u>(1,979,939)</u>
3,902,669	16,759,868	288,851	6,326,600	32,022,238
<u>\$ 3,323,597</u>	<u>\$ 13,687,352</u>	<u>\$ 129,369</u>	<u>\$ 7,533,339</u>	<u>\$ 30,042,299</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND  
CHANGES OF FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 19,684	12.0	\$ 24,698	14.8	\$ 28,682	16.9
State and local revenue included in revenue limit	95,036	58.0	93,767	56.2	93,157	54.8
Other State revenue	39,123	23.9	38,929	23.3	37,542	22.1
Other local revenue	9,923	6.1	9,494	5.7	10,486	6.2
Total Revenues	<u>163,766</u>	<u>100.0</u>	<u>166,888</u>	<u>100.0</u>	<u>169,867</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	75,200	45.9	71,619	42.9	72,840	42.9
Classified salaries	25,776	15.7	23,862	14.3	24,134	14.2
Employee benefits	45,626	27.9	43,300	26.0	40,061	23.6
Total Salaries and Benefits	146,602	89.5	138,781	83.2	137,035	80.7
Books and supplies	9,132	5.6	9,048	5.4	9,377	5.5
Contracts and operating expenses	17,692	10.8	14,952	9.0	14,956	8.8
Capital outlay	821	0.5	230	0.1	736	0.4
Other outgo	17	0.0	(63)	(0.0)	9	0.0
Total Expenditures	<u>174,264</u>	<u>106.4</u>	<u>162,948</u>	<u>97.7</u>	<u>162,113</u>	<u>95.4</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,498)	(6.4)	3,940	2.3	7,754	4.6
OTHER FINANCING SOURCES (USES)						
Net transfers	<u>(1,507)</u>	<u>(0.9)</u>	<u>(1,737)</u>	<u>(1.0)</u>	<u>(1,717)</u>	<u>(1.0)</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>(12,005)</u>	<u>(7.3)</u>	<u>2,203</u>	<u>1.3</u>	<u>6,037</u>	<u>3.6</u>
FUND BALANCE, BEGINNING	<u>29,589</u>		<u>27,386</u>		<u>21,349</u>	
FUND BALANCE, ENDING	<u>\$ 17,584</u>		<u>\$ 29,589</u>		<u>\$ 27,386</u>	

See accompanying note to supplementary information.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal - NSLP	\$ 12,121	87.4	\$ 10,712	85.6	\$ 10,852	85.5
State meal program	833	6.0	861	6.9	849	6.7
Food sales	877	6.3	855	6.8	927	7.3
Other	43	0.3	81	0.7	59	0.5
Total Revenues	<u>13,874</u>	<u>100.0</u>	<u>12,509</u>	<u>100.0</u>	<u>12,687</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and employee benefits	6,028	43.4	5,519	44.1	5,538	43.7
Food	5,220	37.6	4,647	37.2	4,889	38.5
Supplies	384	2.8	339	2.7	316	2.5
Other	969	7.0	1,400	11.2	1,020	8.0
Total Expenditures	<u>12,601</u>	<u>90.8</u>	<u>11,905</u>	<u>95.2</u>	<u>11,763</u>	<u>92.7</u>
INCREASE IN NET POSITION	<u>1,273</u>	<u>9.2</u>	<u>604</u>	<u>4.8</u>	<u>924</u>	<u>7.3</u>
NET POSITION, BEGINNING	<u>10,003</u>		<u>9,399</u>		<u>8,475</u>	
NET POSITION, ENDING	<u>\$ 11,276</u>		<u>\$ 10,003</u>		<u>\$ 9,399</u>	

\* \* \* \* \*

**TYPE 'A' LUNCH/BREAKFAST PARTICIPATION**

	2012-2013		2011-2012		2010-2011	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>TYPE 'A' LUNCHESES</b>						
Paid	206,057	8.0	209,634	7.9	209,999	8.0
Reduced price	309,886	12.0	324,829	12.3	331,891	12.6
Free	2,063,953	80.0	2,107,212	79.8	2,085,146	79.4
Total Lunches	<u>2,579,896</u>	<u>100.0</u>	<u>2,641,675</u>	<u>100.0</u>	<u>2,627,036</u>	<u>100.0</u>
<b>BREAKFAST</b>						
Paid	78,042	5.9	93,248	6.6	96,132	6.7
Reduced price	129,292	9.8	148,533	10.5	154,926	10.9
Free	1,114,051	84.3	1,169,738	82.9	1,177,603	82.4
Total Breakfast	<u>1,321,385</u>	<u>100.0</u>	<u>1,411,519</u>	<u>100.0</u>	<u>1,428,661</u>	<u>100.0</u>

See accompanying note to supplementary information.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities:		\$ 32,455,007
Medi-Cal Billing Option	93.778	<u>(170,348)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 32,284,659</u>

#### 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 requirements, whichever is greater, as required by *Education Code* Section 46201.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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### **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.

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 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 Balances.

### **General Fund Selected Financial Information**

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

### **Cafeteria Fund Selected Financial Information**

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

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*INDEPENDENT AUDITORS' REPORTS*

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

Governing Board  
Coachella Valley Unified School District  
Thermal, California

We have audited, in accordance with the 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, 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 (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Coachella Valley Unified School District's basic financial statements, and have issued our report thereon dated December 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Coachella Valley Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Coachella Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Coachella Valley Unified School District's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Coachella Valley Unified School District's financial statements are free from 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 16, 2013.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Varrinck, Irine, Day + Co., LLP*

Rancho Cucamonga, California  
December 16, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Coachella Valley Unified School District  
Thermal, California

**Report on Compliance for Each Major Federal Program**

We have audited Coachella Valley Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Coachella Valley Unified School District's (the District) major Federal programs for the year ended June 30, 2013. Coachella Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Coachella Valley Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Coachella Valley Unified School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Coachella Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Coachella Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Coachella Valley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Coachella Valley Unified School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California  
December 16, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Coachella Valley Unified School District  
Thermal, California

### Report on State Compliance

We have audited Coachella Valley Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of the Coachella Valley Unified School District's State government programs as noted below for the year ended June 30, 2013.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Coachella Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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.

### Basis for Qualified Opinion After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Coachella Valley Unified School District did not comply with requirements regarding the After School Education and Safety Program as described in finding 2013-1 for administrative costs. Compliance with such requirements is necessary, in our opinion, for Coachella Valley Unified School District to comply with the requirements applicable to that program.

### Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Coachella Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.

**Unmodified Opinion on Each of the Other Programs**

In our opinion, Coachella Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	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	4	Not Applicable

*Varinick, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 16, 2013

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>93.600</u>	<u>Head Start Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>10.558</u>	<u>Child and Adult Care Food Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 968,540</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was modified:	
	<u>Name of Program</u>
	<u>After School Education and Safety Program</u>

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

### *After School Education and Safety Program (ASES) – Administrative Costs*

**2013-1    40000**

#### **Criteria or Specific Requirements**

According to *Education Code* Section 19846.1(c)(2)(B), the District participating in the ASES program must monitor usage of the State funding and ensure that no more than 15 percent of the State funding was utilized for administrative costs, including indirect costs charged to the program. Adequate documentation that supports this verification must be maintained by the District that documents that it is within compliance of this regulation.

#### **Condition**

There appears to be an issue in which the District's administrative costs, including indirect costs charged to the program, has exceeded the threshold of 15 percent of the total program expenditure. The District has a program in place for an employee who is responsible for monitoring expenditures regarding the ASES program. However, during the review of the expenditure detail, it was noted that approximately 17 percent of the funding was expended for administrative costs and indirect costs. Calculating the allowable dollar amount with the 15 percent threshold, the auditor noted that the District exceeded this threshold by \$61,771.

#### **Questioned Costs**

There is no questioned cost component to the condition identified.

#### **Context**

The condition identified was determined through review of expenditure detail of resource code 6010. The auditor reviewed expenditures including functions 2150 and 2700 for administrative cost. In addition, auditor reviewed object code 7310 for indirect cost charged to the program.

#### **Effect**

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 19846.1(c)(2)(B). The District's expenditures of administrative and indirect costs exceeded the threshold of the allowable 15 percent administrative and indirect costs out of the total program expenditure.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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### **Cause**

It appears that the condition identified has materialized as a result of the District not closely monitoring expenditures of administrative costs.

### **Recommendation**

The District should strive to improve implemented procedures to better monitor the expenditures in the ASES program. The District should communicate to the sites the importance of following the established procedures to ensure compliance with program requirements.

### **Corrective Action Plan**

The District concurs with the auditor's finding. The District has implemented a procedure to monitor administrative costs charged to the program to ensure that the 15 percent threshold is not exceeded.

# COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *After School Education and Safety Program – Attendance and Reporting*

**2012-1 40000**

#### **Finding**

According to *Education Code* Section 8483(a)(2), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. In addition, adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program.

There appears to be multiple discrepancies between the total number of students served indicated on the District monthly summaries and the total number of students served reported to the California Department of Education (CDE). During the review of manual rosters and District monthly summaries, it was noted that the total number of students served was actually 11,787 less than the total number of student served reported to the CDE. Through review of attendance records from 8 of the 18 sites that operate the after school program. Manual sign-out rosters were reviewed for each child's sign-out time in order to determine daily participation. Auditor selected four schools for each of the first and second semi-annual reporting periods. Auditor also compared the District summaries to the reported number of students served and noted a difference of 11,787. There is not sufficient documentation to support the number of students served reported to the CDE. It appears the District overstated the number of student served by 11,787. The condition identified has materialized as a result of the District not following up to ensure the total number of students that participated, as indicated by the manual rosters, agreed to the monthly summaries and the attendance reports that were submitted to the CDE agreed to the District summaries.

#### **Recommendation**

The District should ensure adequate review of the attendance reports prior to submission to the California Department of Education. In addition, the total number of students served in the manual rosters should reconcile to the total number of students reported on the attendance report.

#### **Current Status**

Implemented.



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 (the District) for the year ended June 30, 2013, 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 16, 2013, on the financial statements of Coachella Valley Unified School District.

**FINANCIAL CONDITION**

Observation

The General Fund expenditures have been significant over the past several years, and could adversely affect the District's financial condition and its ability to meet future financial obligations. The District has incurred deficit spending in the General Fund of \$12,005,007 for the current fiscal year, and plans to further deficit spend in the following fiscal year by \$11,244,117. In addition, in the 2013-2014 fiscal year, the District anticipates it will be unable to meet the suggested economic reserve of three percent in the General Fund ending the fiscal year with a 1.9 percent reserve instead.

Recommendation

Although there have been concessions, we recommend that the District continue to explore ways to reduce the overall costs as well as maximizing the revenue received from Federal, State, and local sources.

**INTERNAL CONTROLS**

*Credit Cards*

Observation

The District was unable to provide any supporting documentation for credit card disbursements. The transactions occurred in December 2012 and February 2013, and no receipts to support the charges could be provided. In addition, no approvals were obtained prior to the payment being made since the transaction has not been entered into School Stream for approval.

Governing Board  
Coachella Valley Unified School District

Recommendation

The District should request all supporting documentation related to credit card charges are forwarded to the District in a timely manner. This will help ensure the District is paying for appropriate items and all required approvals are obtained prior to the payment occurring.

**ASSOCIATED STUDENT BODY (ASB)**

*Desert Mirage High School and Toro Canyon Middle School*

*Revenue Potential Forms*

Observation

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

Recommendation

Revenue potential forms must be completed for each fundraiser. This includes both the expected and actual profit and loss sections associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits/losses and possible potential misappropriation of ASB funds. Analysis of actual profit/loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.

*Toro Canyon Middle School*

*Disbursements*

Observation

One of 15 disbursements reviewed did not have prior approval from the ASB.

Recommendation

All ASB disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate, and to determine if sufficient funding is available to finance the activities or the purchases.

Governing Board  
Coachella Valley Unified School District

*Desert Mirage High School*

*Disbursements*

Observations

During our audit of the ASB's internal controls, we noted the following issue:

1. One of nine disbursements reviewed did not have prior approval from the ASB.
2. Perpetual inventory records are not being maintained for the student store inventory.

Recommendations

1. All ASB disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. A perpetual inventory log should be maintained and updated for the sites inventory. An inventory log will keep the site aware of how much inventory is on hand. Also, when a physical inventory count is performed, the count should be compared to the perpetual log. Any discrepancies should be investigated and explained.

**RECEIPTING**

*La Familia High School*

Observation

Monies collected were not deposited in a timely manner; we noted 2 out of 15 instances in which deposits ranged from 12 to 14 days after being receipted.

Recommendation

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 communicate guidelines for such a procedure including the maximum cash on hand that should be maintained at the site. In addition, the site should ensure that year-end closeout procedures include depositing all remaining cash on hand before leaving for the summer.

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

*Varrinck, Irine, Day + Co., LLP*

Rancho Cucamonga, California  
December 16, 2013