

**COACHELLA VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S 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, 2015, 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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, 2015, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 14, and the budgetary comparison, other postemployment benefit information, District's proportionate share of the net pension liability, and the District contributions on pages 77 through 80, respectively, 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 (Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on 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 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 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 14, 2015, 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 14, 2015

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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, 2015, with comparative information for June 30, 2014. 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, 2015

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 deferred outflows of resources, and liabilities and deferred inflows of resources, which is 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

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. 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 implemented 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 2013 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 was completed during the 2014-2015 year.

The District refunded \$55 million in additional bonds under the 2005 authorization. A portion of 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 District anticipates the completion of District office complex and transportation facility during the 2015-2016 year.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$86.4 million for the fiscal year ended June 30, 2015. Of this amount, \$168.5 million was unrestricted deficit. 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	
	as Restated				as Restated	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 110.1	\$ 133.4	\$ 11.1	\$ 10.8	\$ 121.2	\$ 144.2
Capital assets	395.1	379.4	2.1	2.1	397.2	381.5
Total Assets	505.2	512.8	13.2	12.9	518.4	525.7
Deferred Outflows of Resources	14.5	9.3	-	-	14.5	9.3
Liabilities						
Current liabilities	14.5	12.6	-	-	14.5	12.6
Long-term obligations	266.8	270.3	-	-	266.8	270.3
Aggregate net pension liability	128.4	164.3	-	-	128.4	164.3
Total Liabilities	409.7	447.2	-	-	409.7	447.2
Deferred Inflows of Resources	36.7	-	-	-	36.7	-
Net Position						
Net investment in capital assets	214.5	213.4	2.1	2.1	216.6	215.5
Restricted	27.2	27.8	11.1	10.8	38.3	38.6
Unrestricted (Deficit)	(168.5)	(175.6)	-	-	(168.5)	(175.6)
Total Net Position	\$ 73.2	\$ 65.6	\$ 13.2	\$ 12.9	\$ 86.4	\$ 78.5

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 0.7	\$ 0.6	\$ 0.6	\$ 0.8	\$ 1.3	\$ 1.4
Operating grants and contributions	44.4	43.3	13.5	12.7	57.9	56.0
General revenues:						
Federal and State aid not restricted	130.4	106.2	-	-	130.4	106.2
Property taxes	39.6	38.8	-	-	39.6	38.8
Other general revenues	4.5	7.2	-	-	4.5	7.2
Total Revenues	219.6	196.1	14.1	13.5	233.7	209.6
Expenses						
Instruction-related	162.3	146.7	-	-	162.3	146.7
Student support services	19.5	16.6	-	11.9	19.5	28.5
Administration	12.6	10.0	-	-	12.6	10.0
Plant services	15.3	16.3	-	-	15.3	16.3
Other	13.0	14.2	13.8	-	26.8	14.2
Total Expenses	222.7	203.8	13.8	11.9	236.5	215.7
Change in Net Position	\$ (3.1)	\$ (7.7)	\$ 0.3	\$ 1.6	\$ (2.8)	\$ (6.1)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$222.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$39.6 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 (\$57.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$174.5 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, 2015

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)	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$ 140.3	\$ 128.8	\$ 104.7	\$ 94.8
Instruction-related activities	22.0	17.9	17.9	13.0
Home-to-school transportation	11.2	9.1	11.2	9.1
Other pupil services	8.3	7.5	6.3	5.6
General administration	12.6	10.0	10.6	8.2
Plant services	15.3	16.3	15.2	16.2
Interest on long-term obligations	11.6	10.5	11.6	10.5
Other	1.4	3.7	0.1	2.5
Total	\$ 222.7	\$ 203.8	\$ 177.6	\$ 159.9

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, 2015

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$95.9 million, which is a decrease of \$25.7 million from last year.

Table 4

(Amounts in millions)	Fund Balance			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 17.2	\$ 197.7	\$ 195.9	\$ 19.0
Building Fund	74.4	1.2	26.7	48.9
Adult Education Fund	0.3	1.4	1.5	0.2
Child Development Fund	-	1.6	1.6	-
Deferred Maintenance Fund	0.6	1.1	0.5	1.2
Capital Facilities Fund	4.5	2.0	0.6	5.9
County School Facilities Fund	2.7	-	0.5	2.2
Special Reserve Fund for Capital Outlay Projects	11.6	26.7	32.1	6.2
Capital Project Fund for Blended Component Unit	0.2	-	-	0.2
Bond Interest and Redemption Fund	10.1	31.8	29.8	12.1
Total	\$ 121.6	\$ 263.5	\$ 289.2	\$ 95.9

The primary reasons for these increases/decreases are:

- The decrease of \$30.9 million in the Building and Special Reserve for Capital Outlay Projects Funds resulted from planned spending of Measure X funds and other building projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to deal with changes brought about by anticipated increases or decreases in revenues and expenditures. The final budget revision to the adopted budget (estimated actuals) was adopted on June 23, 2015 (see page 77).

Significant revenue revisions made to the 2014-2015 budgets were due to revisions in various categorical programs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$397.2 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of just under \$16 million, or four percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and construction in process	\$ 62.8	\$ 50.4	\$ -	\$ -	\$ 62.8	\$ 50.4
Buildings and improvements	315.1	310.5	1.4	1.5	316.5	312.0
Furniture and equipment	17.2	18.5	0.7	0.6	17.9	19.1
Total	\$ 395.1	\$ 379.4	\$ 2.1	\$ 2.1	\$ 397.2	\$ 381.5

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 \$266.7 million in obligations versus \$270.3 million last year, a decrease of one percent. These obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds, net (Financed with property taxes)	\$ 204.5	\$ 205.0	\$ -	\$ -	\$ 204.5	\$ 205.0
Certificates of participation, net	22.7	23.7	-	-	22.7	23.7
Capitalized lease obligations	3.7	7.9	-	-	3.7	7.9
Other	35.8	33.7	-	-	35.8	33.7
Total	\$ 266.7	\$ 270.3	\$ -	\$ -	\$ 266.7	\$ 270.3

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 \$196.3 million excluding capital appreciation and premium amounts is below the statutorily-imposed limit.

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Net Pension Liability (NPL)

At year-end, the District had an outstanding pension liability of \$128,430,825, as a result of the adoption of GASB No. 68, *Accounting and Reporting for Pensions*. The District has, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

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 Gregory Fromm, 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 Gregory.Fromm@cvusd.us.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 102,134,613	\$ 7,475,513	\$ 109,610,126
Receivables	7,817,743	3,211,238	11,028,981
Internal balances	127,226	(127,226)	-
Stores inventories	15,833	555,289	571,122
Capital assets:			
Land and construction in process	62,833,233	-	62,833,233
Other capital assets	452,114,217	3,397,420	455,511,637
Less: Accumulated depreciation	(119,872,290)	(1,253,468)	(121,125,758)
Total Capital Assets	395,075,160	2,143,952	397,219,112
Total Assets	505,170,575	13,258,766	518,429,341
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	3,494,731	-	3,494,731
Current year pension contribution	11,019,862	-	11,019,862
Total Deferred Outflows of Resources	14,514,593	-	14,514,593
LIABILITIES			
Accounts payable	11,138,262	61,433	11,199,695
Accrued interest payable	3,136,445	-	3,136,445
Unearned revenue	216,433	-	216,433
Long-Term Obligations:			
Current portion of long-term obligations other than pensions	10,996,073	-	10,996,073
Noncurrent portion of long-term obligations other than pensions	255,789,611	-	255,789,611
Total Long-Term Obligations	266,785,684	-	266,785,684
Aggregate net pension liability	128,430,825	-	128,430,825
Total Liabilities	409,707,649	61,433	409,769,082
DEFERRED INFLOWS OF RESOURCES			
Change in proportionate share of net pension liability	2,138,842	-	2,138,842
Difference between projected and actual earnings on pension plan investments	34,599,116	-	34,599,116
Total Deferred Inflows of Resources	36,737,958	-	36,737,958
NET POSITION			
Net investment in capital assets	214,451,359	2,143,952	216,595,311
Restricted for:			
Debt service	8,927,179	-	8,927,179
Capital projects	8,078,540	-	8,078,540
Educational programs	7,882,523	-	7,882,523
Other activities	2,429,176	11,053,381	13,482,557
Unrestricted (Deficit)	(168,529,216)	-	(168,529,216)
Total Net Position	\$ 73,239,561	\$ 13,197,333	\$ 86,436,894

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 140,282,891	\$ 83,930	\$ 35,544,645	\$ -
Instruction-related activities:				
Supervision of instruction	4,779,743	-	2,020,342	-
Instructional library, media and technology	155,510	-	11,517	-
School site administration	17,054,008	6,350	1,943,801	-
Pupil services:				
Home-to-school transportation	11,203,613	-	-	-
All other pupil services	8,268,463	149	1,989,054	-
General administration:				
Data processing	2,896,791	-	342	-
All other general administration	9,701,848	32,430	1,970,964	-
Plant services	15,324,296	7,368	145,203	-
Ancillary services	4,000	-	4,000	-
Enterprise services	520	-	-	-
Interest on long-term obligations	11,606,858	-	-	-
Other outgo	1,364,879	566,182	722,111	-
Total Governmental Activities	222,643,420	696,409	44,351,979	-
Business-Type Activities:				
Food services	13,829,205	591,237	13,555,684	-
Total School District	\$ 236,472,625	\$ 1,287,646	\$ 57,907,663	\$ -

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, As Restated

Net Position - Ending

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

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

Governmental Activities	Business-Type Activities	Total
\$ (104,654,316)	\$ -	\$ (104,654,316)
(2,759,401)	-	(2,759,401)
(143,993)	-	(143,993)
(15,103,857)	-	(15,103,857)
(11,203,613)	-	(11,203,613)
(6,279,260)	-	(6,279,260)
(2,896,449)	-	(2,896,449)
(7,698,454)	-	(7,698,454)
(15,171,725)	-	(15,171,725)
-	-	-
(520)	-	(520)
(11,606,858)	-	(11,606,858)
(76,586)	-	(76,586)
(177,595,032)	-	(177,595,032)
-	317,716	317,716
(177,595,032)	317,716	(177,277,316)
23,282,180	-	23,282,180
12,786,100	-	12,786,100
3,529,022	-	3,529,022
130,406,413	-	130,406,413
1,091,682	27,551	1,119,233
3,394,127	-	3,394,127
174,489,524	27,551	174,517,075
(3,105,508)	345,267	(2,760,241)
76,345,069	12,852,066	89,197,135
\$ 73,239,561	\$ 13,197,333	\$ 86,436,894

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 18,959,658	\$ 52,890,394	\$ 12,063,624
Receivables	7,435,734	50,828	-
Due from other funds	1,002,361	35,039	-
Stores inventories	15,833	-	-
Total Assets	\$ 27,413,586	\$ 52,976,261	\$ 12,063,624
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,911,650	\$ 4,050,922	\$ -
Due to other funds	1,295,161	-	-
Unearned revenue	216,433	-	-
Total Liabilities	8,423,244	4,050,922	-
Fund Balances:			
Nonspendable	65,833	-	-
Restricted	7,882,523	48,925,339	12,063,624
Committed	-	-	-
Assigned	-	-	-
Unassigned	11,041,986	-	-
Total Fund Balances	18,990,342	48,925,339	12,063,624
Total Liabilities and Fund Balances	\$ 27,413,586	\$ 52,976,261	\$ 12,063,624

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 15,421,447	\$ 99,335,123
328,251	7,814,813
1,245,152	2,282,552
-	15,833
<u>\$ 16,994,850</u>	<u>\$ 109,448,321</u>

\$ 175,690	\$ 11,138,262
860,471	2,155,632
-	216,433
<u>1,036,161</u>	<u>13,510,327</u>

-	65,833
8,300,613	77,172,099
1,442,151	1,442,151
6,215,925	6,215,925
-	11,041,986
<u>15,958,689</u>	<u>95,937,994</u>
<u>\$ 16,994,850</u>	<u>\$ 109,448,321</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2015

Total Fund Balance - Governmental Funds	\$ 95,937,994
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 514,947,450
Accumulated depreciation is:	<u>(119,872,290)</u>
Net Capital Assets	395,075,160
Expenditures relating to refinancing of debt were recognized on the modified accrual basis, but are not recognized on the accrual basis.	3,494,731
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	11,019,862
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.	(3,136,445)
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:	2,429,176
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	(2,138,842)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(34,599,116)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(128,430,825)

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 (CONTINUED) JUNE 30, 2015

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	\$ 178,113,760
Unamortized premium on general obligation bonds	8,202,895
Certificates of participation	21,915,000
Unamortized premium on certificates of participation	848,945
Capital lease obligations	3,665,344
Compensated absences	2,342,222
Supplemental early retirement plan (SERP)	600,729
2012 Lease refunding	11,285,000
2013 Lease refunding	9,235,000
Other postemployment benefits (OPEB)	12,013,239

In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:

18,190,000

Total Long-Term Obligations

(266,412,134)

Total Net Position - Governmental Activities

\$ 73,239,561

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, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	\$ 147,945,545	\$ -	\$ -
Federal sources	16,686,041	-	-
Other State sources	23,951,543	-	69,444
Other local sources	9,120,565	228,431	12,737,202
Total Revenues	197,703,694	228,431	12,806,646
EXPENDITURES			
Current			
Instruction	123,487,052	-	-
Instruction-related activities:			
Supervision of instruction	4,441,612	-	-
Instructional library, media and technology	153,483	-	-
School site administration	17,695,177	-	-
Pupil services:			
Home-to-school transportation	10,483,618	-	-
Food services	655	-	-
All other pupil services	7,463,583	-	-
General administration:			
Data processing	2,754,588	-	-
All other general administration	9,221,334	-	-
Plant services	16,238,191	52,981	-
Facility acquisition and construction	418,875	22,277,379	-
Ancillary services	4,000	-	-
Other outgo	1,136,361	-	230,545
Debt service			
Principal	-	4,268,149	4,910,000
Interest and other	-	75,672	5,916,200
Total Expenditures	193,498,529	26,674,181	11,056,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,205,165	(26,445,750)	1,749,901
Other Financing Sources (Uses):			
Transfers in	-	990,287	-
Other sources - proceeds from issuance of refunding general obligation bonds	-	-	17,455,000
Other sources - premium on issuance of refunding general obligation bonds	-	-	1,519,631
Other sources - proceeds from issuance of refunding certificates of participation	-	-	-
Other sources - premium on issuance of refunding certificates of participation	-	-	-
Transfers out	(2,397,482)	-	-
Other uses - payment to refunded general obligation bond escrow agent	-	-	(18,727,639)
Other uses - payment to refunded certificates of participation escrow agent	-	-	-
Net Financing Sources (Uses)	(2,397,482)	990,287	246,992
NET CHANGE IN FUND BALANCES	1,807,683	(25,455,463)	1,996,893
Fund Balances - Beginning	17,182,659	74,380,802	10,066,731
Fund Balances - Ending	\$ 18,990,342	\$ 48,925,339	\$ 12,063,624

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 933,933	\$ 148,879,478
578,777	17,264,818
1,450,626	25,471,613
4,771,538	26,857,736
<u>7,734,874</u>	<u>218,473,645</u>
2,492,462	125,979,514
139,482	4,581,094
-	153,483
309,178	18,004,355
-	10,483,618
-	655
-	7,463,583
-	2,754,588
113,990	9,335,324
65,369	16,356,541
5,167,071	27,863,325
-	4,000
4,421	1,371,327
710,000	9,888,149
2,369,654	8,361,526
<u>11,371,627</u>	<u>242,601,082</u>
<u>(3,636,753)</u>	<u>(24,127,437)</u>
2,397,482	3,387,769
-	17,455,000
-	1,519,631
21,915,000	21,915,000
891,392	891,392
(990,287)	(3,387,769)
-	(18,727,639)
<u>(24,501,850)</u>	<u>(24,501,850)</u>
<u>(288,263)</u>	<u>(1,448,466)</u>
<u>(3,925,016)</u>	<u>(25,575,903)</u>
19,883,705	121,513,897
<u>\$ 15,958,689</u>	<u>\$ 95,937,994</u>

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, 2015

Total Net Change in Fund Balances - Governmental Funds \$ (25,575,903)

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	\$ 29,676,523	
Depreciation expense	<u>(14,006,222)</u>	
Net Expense Adjustment		15,670,301

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. (3,761,080)

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 \$1,423,795. Vacation earned was more than the amounts used by \$544,185. 879,610

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 765,567

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:

2014 General Obligation Refunding Bonds, Series B	(17,455,000)
2014 Refunding Certificates of Participation	(21,915,000)

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, 2015

Governmental funds report the effect of premiums and deferred charges on an issuance and refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:

Premium on issuance of general obligation bonds	\$ (1,519,631)	
Premium on issuance of certificates of participation	(891,392)	
Deferred amount of refunding of general obligation bonds	1,694,086	
Deferred amount on refunding of certificates of participation	<u>2,001,851</u>	
Combined Adjustment		\$ 1,284,914

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	21,960,000
Certificates of participation	22,490,000
Capital lease obligations	4,268,149
Lease refinancing	710,000

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	2,312,522	
Amortization of deferred amount on refunding	<u>(1,550,750)</u>	
Combined Adjustment		761,772

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, certificates of participation, and lease refinancing increased by \$475,441, and second, \$3,531,663 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(4,007,104)

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.

818,266

Change in Net Position of Governmental Activities

\$ (3,105,508)

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

	Business-Type Activities Enterprise Fund Cafeteria	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 7,475,513	\$ 2,799,490
Receivables	3,211,238	2,930
Due from other funds	55,490	306
Stores inventories	555,289	-
Total Current Assets	11,297,530	2,802,726
Noncurrent Assets		
Capital assets	3,397,420	-
Less: accumulated depreciation	(1,253,468)	-
Total Noncurrent Assets	2,143,952	-
Total Assets	13,441,482	2,802,726
LIABILITIES		
Current Liabilities		
Accounts payable	61,433	-
Due to other funds	182,716	-
Current portion of claim liability	-	373,550
Total Current Liabilities	244,149	373,550
NET POSITION		
Net investment in capital assets	2,143,952	-
Restricted	11,053,381	2,429,176
Total Net Position	\$ 13,197,333	\$ 2,429,176

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, 2015

	Business-Type Activities Enterprise Fund Cafeteria	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 567,070	\$ -
Charges to other funds and miscellaneous revenues	24,167	6,347,995
Total Operating Revenues	<u>591,237</u>	<u>6,347,995</u>
OPERATING EXPENSES		
Payroll costs	6,646,409	86,466
Professional and contract services	251,686	5,448,119
Supplies and materials	5,915,868	-
Facility rental	195,757	-
Other operating cost	689,263	-
Depreciation	130,222	-
Total Operating Expenses	<u>13,829,205</u>	<u>5,534,585</u>
Operating Income (Loss)	<u>(13,237,968)</u>	<u>813,410</u>
NONOPERATING REVENUES		
Interest income	27,551	4,856
Federal Grants	12,676,452	-
State Grants	879,232	-
Total Nonoperating Revenues	<u>13,583,235</u>	<u>4,856</u>
Change in Net Position	345,267	818,266
Total Net Position - Beginning	12,852,066	1,610,910
Total Net Position - Ending	<u>\$ 13,197,333</u>	<u>\$ 2,429,176</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, 2015

	Business-Type Activities Enterprise Fund Cafeteria	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ (321,310)	\$ -
Cash received from assessments made to other funds	-	6,346,534
Cash payments to employees for services	(6,539,452)	(86,466)
Cash payments to suppliers for goods and services	(6,120,969)	-
Cash payments for interfund services	-	(5,455,751)
Cash payments for facility use	(195,757)	-
Other operating cash payments	(689,263)	-
Net Cash (Used in) Provided by Operating Activities	(13,866,751)	804,317
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	13,555,684	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(207,310)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	27,551	4,856
Net Increase (Decrease) in Cash and Cash Equivalents	(490,826)	809,173
Cash and Cash Equivalents - Beginning	7,966,339	1,990,317
Cash and Cash Equivalents - Ending	\$ 7,475,513	\$ 2,799,490
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (13,237,968)	\$ 813,410
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	130,222	-
Changes in assets and liabilities:		
Receivables	(861,025)	(1,542)
Due from other fund	(51,522)	81
Inventories	6,330	-
Accounts payable	40,255	-
Due to other fund	106,957	-
Claim liabilities	-	(7,632)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (13,866,751)	\$ 804,317

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$798,880 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, 2015

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 649,186</u>
LIABILITIES	
Accounts payable	\$ 14,729
Due to student groups	<u>634,457</u>
Total Liabilities	<u>\$ 649,186</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015

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.

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*).

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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).

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).

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

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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 position 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 restricted for other activities result from special revenue funds and the restrictions on their 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.

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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.

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Unearned Revenue Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met, are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned 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, 2015, 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

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.

Debt Premiums and Discounts

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2015, 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, 2015

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 \$38,370,799.

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.

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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.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB 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 non-employer 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, non-employer 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$154,914,488. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 102,134,613
Business-type activities	7,475,513
Fiduciary funds	649,186
Total Deposits and Investments	<u>\$ 110,259,312</u>

Deposits and investments as of June 30, 2015, consisted of the following:

Cash on hand and in banks	\$ 1,123,468
Cash in revolving	52,025
Investments	109,083,819
Total Deposits and Investments	<u>\$ 110,259,312</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, 2015

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, 2015

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, 2015

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing 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
Riverside County Investment Pool	\$ 109,083,819	\$ 109,093,092	402

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, 2015, the District's bank balance of \$979,642 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, 2015

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, 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	\$ 3,548,505	\$ -	\$ 224,906	\$ -
State Government				
Categorical aid	476,652	-	84,883	-
Lottery	1,575,504	-	-	-
Special Education	1,132,738	-	-	-
Local Government				
Interest	24,443	50,828	12,101	-
Other Local Sources	677,892	-	6,361	2,930
Total	<u>\$ 7,435,734</u>	<u>\$ 50,828</u>	<u>\$ 328,251</u>	<u>\$ 2,930</u>

	Total Governmental Activities	Cafeteria Enterprise Fund
Federal Government		
Categorical aid	\$ 3,773,411	\$ 2,945,008
State Government		
Categorical aid	561,535	209,603
Lottery	1,575,504	-
Special Education	1,132,738	-
Local Government		
Interest	87,372	6,745
Other Local Sources	687,183	49,882
Total	<u>\$ 7,817,743</u>	<u>\$ 3,211,238</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 32,201,723	\$ -	\$ -	\$ 32,201,723
Construction in process	18,173,473	12,458,037	-	30,631,510
Total Capital Assets Not Being Depreciated	50,375,196	12,458,037	-	62,833,233
Capital Assets Being Depreciated				
Land improvements	37,218,163	5,009,491	-	42,227,654
Buildings and improvements	358,719,045	9,311,496	-	368,030,541
Furniture and equipment	38,958,523	2,897,499	-	41,856,022
Total Capital Assets Being Depreciated	434,895,731	17,218,486	-	452,114,217
Less Accumulated Depreciation				
Land improvements	8,298,770	1,964,197	-	10,262,967
Buildings and improvements	77,096,033	7,718,954	-	84,814,987
Furniture and equipment	20,471,265	4,323,071	-	24,794,336
Total Accumulated Depreciation	105,866,068	14,006,222	-	119,872,290
Governmental Activities Capital Assets, Net	<u>\$ 379,404,859</u>	<u>\$ 15,670,301</u>	<u>\$ -</u>	<u>\$ 395,075,160</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 1,929,888	\$ 13,100	\$ -	\$ 1,942,988
Furniture and equipment	1,260,222	194,210	-	1,454,432
Total Capital Assets Being Depreciated	3,190,110	207,310	-	3,397,420
Less Accumulated Depreciation				
Buildings and improvements	415,672	40,649	-	456,321
Furniture and equipment	707,574	89,573	-	797,147
Total Accumulated Depreciation	1,123,246	130,222	-	1,253,468
Business-Type Activities Capital Assets, Net	<u>\$ 2,066,864</u>	<u>\$ 77,088</u>	<u>\$ -</u>	<u>\$ 2,143,952</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Governmental Activities

Instruction	\$ 12,605,600
Home-to-school transportation	420,187
All other pupil services	560,249
Plant services	420,186
Total Depreciation Expenses Governmental Activities	14,006,222

Business-Type Activities

Food services	130,222
Total Depreciation Expenses All Activities	\$ 14,136,444

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2015, 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	Building Fund	Non-Major Governmental Funds	Cafeteria Enterprise Fund	Internal Service	
General Fund	\$ -	\$ -	\$ 1,239,365	\$ 55,490	\$ 306	\$ 1,295,161
Non-Major Governmental Funds	819,645	35,039	5,787	-	-	860,471
Cafeteria Enterprise Fund	182,716	-	-	-	-	182,716
Total	\$ 1,002,361	\$ 35,039	\$ 1,245,152	\$ 55,490	\$ 306	\$ 2,338,348

A balance of \$359,239 is due to the Non-Major Governmental Special Reserve Fund for Capital Outlay Projects from the General Fund as a contribution.

A balance of \$610,460 is due to the Deferred Maintenance Non-Major Governmental Fund from the General Fund for deferred maintenance projects.

A balance for \$65,917 is due to the General Fund from the Non-Major Governmental Adult Education Fund for reimbursement of program expenses.

A balance of \$700,000 is due to the General Fund from the Non-Major Governmental Child Development Fund for a temporary loan.

The balance of \$182,716 is due to the General Fund from the Cafeteria Non-Major Enterprise Fund for reimbursement of costs.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Building Fund	\$ -	\$ 990,287	\$ 990,287
Non-Major Governmental Funds	2,397,482	-	2,397,482
Total	<u>\$ 2,397,482</u>	<u>\$ 990,287</u>	<u>\$ 3,387,769</u>

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

Deferred Maintenance Fund for the State match and prior year carryover.	\$ 1,010,460
Adult Education Fund for prior year revenue.	13,806
Child Development Fund as a contribution.	419,674
Special Reserve Fund for Capital Outlay Projects for RDA monies received.	953,542

The Special Reserve Fund for Capital Outlay Projects transferred to the Building Fund as a contribution.

Total	<u>990,287</u>
	<u>\$ 3,387,769</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Cafeteria Enterprise Fund	Fiduciary Fund
LCFF apportionment	\$ 4,074,270	\$ -	\$ -	\$ 4,074,270	\$ -	\$ -
Salaries and benefits	763,259	-	3,401	766,660	24,598	-
Supplies	378,108	-	22,123	400,231	2,215	-
Services	1,626,985	2,509	4,355	1,633,849	34,620	-
Construction	-	4,048,413	145,811	4,194,224	-	-
Other	69,028	-	-	69,028	-	14,729
Total	<u>\$ 6,911,650</u>	<u>\$ 4,050,922</u>	<u>\$ 175,690</u>	<u>\$ 11,138,262</u>	<u>\$ 61,433</u>	<u>\$ 14,729</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund
Federal financial assistance	\$ 216,433

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 197,277,097	\$ 20,986,663	\$ 21,960,000	\$ 196,303,760	\$ 5,820,000
Premium on issuance	7,765,481	1,519,631	1,082,217	8,202,895	-
Certificates of participation	22,490,000	21,915,000	22,490,000	21,915,000	80,000
Premium on issuance	1,187,858	891,392	1,230,305	848,945	-
Capital leases	7,933,493	-	4,268,149	3,665,344	3,665,344
Accumulated vacation - net	1,798,037	544,185	-	2,342,222	-
Claim liabilities	381,182	2,980,764	2,988,396	373,550	-
Supplemental Early Retirement Plan (SERP)	2,024,524	-	1,423,795	600,729	469,599
2012 Lease refinancing	11,755,000	-	470,000	11,285,000	495,000
2013 Lease refinancing	9,475,000	-	240,000	9,235,000	335,000
Other postemployment benefits (OPEB)	8,252,159	6,078,788	2,317,708	12,013,239	-
	<u>\$ 270,339,831</u>	<u>\$ 54,916,423</u>	<u>\$ 58,470,570</u>	<u>\$ 266,785,684</u>	<u>\$ 10,864,943</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 and 2013 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, 2015

General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2015
1997 Series B	8/1/98	8/1/23	3.70-5.28%	\$ 9,999,278	\$ 12,017,409	\$ -	\$ 606,706	\$ 1,075,000	\$ 11,549,115
2005 Series A	8/19/05	8/1/30	3.00-5.09%	49,998,180	9,334,009	-	67,476	6,400,000	3,001,485
2005 Series B	2/7/07	8/1/31	4.00-5.00%	30,000,000	24,225,000	-	-	12,050,000	12,175,000
2005 Series C	5/12/10	8/1/43	6.82-10.51%	24,990,463	32,198,088	-	2,203,034	-	34,401,122
2010 Refunding	5/12/10	8/1/22	2.75-4.50%	6,560,000	5,140,000	-	-	505,000	4,635,000
2005 Series D	7/12/12	8/1/43	3.00-5.97%	54,999,882	55,962,591	-	654,447	725,000	55,892,038
2012 Series A	4/25/13	8/1/28	0.91-3.55%	20,255,000	20,255,000	-	-	1,000,000	19,255,000
2014 Refunding	1/23/14	8/1/28	1.50-5.00%	38,145,000	38,145,000	-	-	205,000	37,940,000
2014 Refunding, Series B	7/14/14	8/1/30	2.00-5.00%	17,455,000	-	17,455,000	-	-	17,455,000
					<u>\$ 197,277,097</u>	<u>\$ 17,455,000</u>	<u>\$ 3,531,663</u>	<u>\$ 21,960,000</u>	<u>\$ 196,303,760</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, 2015, 1997 General Obligation Bonds, Series B, totaling \$11,549,115 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. The District issued the 2014 General Obligation Refunding Bonds in the amount of \$38,145,000. The net proceeds from the Refunding Bonds were used to advance refund, a portion of the District's outstanding 2005 General Obligation Bonds, Series A. The District also issued the 2014 Refunding General Obligation Bonds, Series B in the amount of \$17,455,000. The net proceeds from the sale of the bonds were used to provide advance refunding a portion of the District's 2005 General Obligation Bonds, Series A and Series B in the amount of \$5,200,000 and \$11,850,000, respectively. As the advance refunding met the requirements of an in-substance defeasance, the associated assets and liability were removed from the District's financial statements. At June 30, 2015, the principal balance outstanding on the remaining bonds was \$3,001,405.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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. The District issued 2014 Refunding General Obligation Bonds, Series B in the amount of \$17,455,000. The net proceeds from the sale of the bonds were used to provide advance refunding a portion of the District's 2005 General Obligation Bonds, Series A and Series B in the amount of \$5,200,000 and \$11,850,000, respectively. As the advance refunding met the requirements of an in-substance defeasance, the associated assets and liability were removed from the District's financial statements. At June 30, 2015, the principal balance outstanding was \$12,175,000 and unamortized premium was \$665,642.

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, 2015, the principal balance outstanding was \$34,401,122 and unamortized premium was \$1,272,966.

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, 2015, the principal balance outstanding was \$4,635,000 and unamortized premium was \$84,167.

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, 2015, the principal balance outstanding was \$55,892,038. Unamortized premium received on issuance of the bonds amounted to \$2,449,067 as of June 30, 2015.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, the principal balance outstanding was \$19,255,000.

2014 General Obligation Refunding Bonds

On January 23, 2014, the District issued the 2014 General Obligation Refunding Bonds in the amount of \$38,145,000. The bonds have a final maturity to occur on August 1, 2028, with interest rates from 1.50 to 5.00 percent. The net proceeds of \$40,843,187 (representing the principal amount of \$38,145,000, plus premium on issuance of \$2,698,187) from the issuance were used to advance refund the District's outstanding 2005 General Obligation Bonds, Series A and to pay the costs of issuance associated with the refunding bonds, with the prepayment to occur on August 1, 2015. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$2,699,088 over the life of the new debt and an economic gain of \$2,001,426 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.294 percent. At June 30, 2015, the principal balance outstanding was \$37,940,000. Unamortized premium received on issuance of the bonds amounted to \$2,312,731 as of June 30, 2015.

2014 Refunding General Obligation Bonds, Series B

On July 17, 2014, the Coachella Valley Unified School District issued 2014 Refunding General Obligation Bonds, Series B in the amount of \$17,455,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$18,727,640 (representing the principal amount of \$17,455,000 and premium of \$1,519,631, less cost of issuance of \$246,992). The bonds have a final maturity which occurs on August 1, 2030 with interest rates of 2.0 to 5.0 percent. Proceeds from the sale of the bonds were used to provide advance refunding a portion of the District's 2005 General Obligation Bonds, Series A and Series B in the amount of \$5,200,000 and \$11,850,000, respectively. The refunding resulted in a cumulative cash flow saving of \$1,251,775 over the life of the new debt and an economic gain of \$944,716 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.13 percent. As of June 30, 2015, the principal balance outstanding was \$17,455,000, and unamortized premium on issuance deferred amount on refunding were \$1,418,322 and \$838,820, respectively.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2016	\$ 5,795,819	\$ 24,181	\$ 5,777,581	\$ 11,597,581
2017	6,016,981	88,019	5,625,704	11,730,704
2018	6,386,235	158,765	5,458,828	12,003,828
2019	6,944,860	235,140	4,728,976	11,908,976
2020	6,452,049	317,951	4,539,695	11,309,695
2021-2025	37,486,954	4,463,046	22,034,663	63,984,663
2026-2030	41,807,426	7,477,574	13,590,239	62,875,239
2031-2035	38,175,101	25,279,899	7,781,869	71,236,869
2036-2040	32,985,586	51,549,414	1,481,625	86,016,625
2041-2044	14,252,749	66,397,251	-	80,650,000
Total	<u>\$ 196,303,760</u>	<u>\$ 155,991,240</u>	<u>\$ 71,019,180</u>	<u>\$ 423,314,180</u>

Certificates of Participation

The outstanding Certificates of Participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2014	Issued	Redeemed	Outstanding June 30, 2015
12/7/06	9/1/36	4.00%-5.25%	\$ 23,500,000	\$ 22,490,000	\$ -	\$ 22,490,000	\$ -
8/21/14	9/1/36	2.00%-5.00%	21,915,000	-	21,915,000	-	21,915,000
			<u>\$ 45,415,000</u>	<u>\$ 22,490,000</u>	<u>\$ 21,915,000</u>	<u>\$ 22,490,000</u>	<u>\$ 21,915,000</u>

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. Proceeds from the sale of the 2014 Refunding Certificates of Participation were used to provide advance refunding of the District's 2006B Certificates of Participation in the amount of \$22,500,000. As the advance refunding met the requirements of an in-substance defeasance, the associated assets and liability were removed from the District's financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2014 Refunding Certificates of Participation

On September 16, 2014, the District issued 2014 Refunding Certificates of Participation in the amount of \$21,915,000. The refunding certificates were issued as current interest certificates. The certificates were issued at an aggregate price of \$22,373,491 (representing the principal amount of \$21,915,000 and premium of \$891,392, less cost of issuance of \$432,901). The certificates have a final maturity which occurs on September 1, 2036 with interest rates of 2.0 to 5.0 percent. Proceeds from the sale of the certificates were used to provide advance refunding of the District's 2006B Certificates of Participation in the amount of \$22,500,000. The refunding resulted in a cumulative cash flow saving of \$3,234,207 over the life of the new debt and an economic gain of \$2,116,258 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.92 percent. As of June 30, 2015, the principal balance outstanding was \$21,915,000, and unamortized premium on issuance deferred amount on refunding were \$848,945 and \$1,906,525, respectively.

Year Ending June 30,	Principal	Interest	Total
2016	\$ 80,000	\$ 897,500	\$ 977,500
2017	80,000	895,900	975,900
2018	90,000	894,200	984,200
2019	395,000	889,350	1,284,350
2020	605,000	876,325	1,481,325
2021-2025	4,185,000	3,903,250	8,088,250
2026-2030	4,605,000	2,932,487	7,537,487
2031-2035	8,655,000	1,498,563	10,153,563
2036-2037	3,220,000	171,000	3,391,000
Total	<u>\$ 21,915,000</u>	<u>\$ 12,958,575</u>	<u>\$ 34,873,575</u>

Capital Leases

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

Balance, July 1, 2014	\$ 8,042,153
Payments	<u>4,343,821</u>
Balance, June 30, 2015	<u>\$ 3,698,332</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payments
2016	\$ 3,698,332
Less: Amount Representing Interest	<u>32,988</u>
Present Value of Minimum Lease Payments	<u>\$ 3,665,344</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$2,342,222.

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, 2015, amounted to \$373,550.

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
2016	\$ 469,599
2017	131,130
Total	<u>\$ 600,729</u>

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, 2015, the principal balance outstanding was \$11,285,000.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The lease refinancing repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
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	570,000	479,500	1,049,500
2020	595,000	450,625	1,045,625
2021-2025	3,460,000	1,769,250	5,229,250
2026	5,105,000	245,375	5,350,375
Total	<u>\$ 11,285,000</u>	<u>\$ 4,543,000</u>	<u>\$ 15,828,000</u>

2013 Lease Refinancing

On September 1, 2013, the District entered into a lease agreement with Public Property Financing Corporation for \$9,475,000. The lease refinancing has a final maturity of September 1, 2031, with an interest rate of 4.15 percent. The net proceeds of \$12,632,160 from the issuance (issuance of \$9,475,000 net of costs incurred on issuance of \$100,865) used to current refund the District's outstanding 2003 Certificates of Participation (School Financing Project) and 2003 Certificates of Participation (East Coachella School Financing Project) with the prepayment occurring September 16, 2013. Contributions from the 2003 Certificates of Participation (School Financing Project) and 2003 Certificates of Participation (East Coachella School Financing Project) reserve funds resulted in additional funds of \$1,557,684 placed with an escrow agent to satisfy prepayment of the remaining balance of the certificates. At June 30, 2015, the principal balance outstanding was \$9,235,000.

The repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 335,000	\$ 376,301	\$ 711,301
2017	410,000	360,843	770,843
2018	850,000	334,698	1,184,698
2019	400,000	308,760	708,760
2020	300,000	294,235	594,235
2021-2025	2,385,000	1,212,111	3,597,111
2026-2030	3,120,000	631,837	3,751,837
2031-2032	1,435,000	60,071	1,495,071
Total	<u>\$ 9,235,000</u>	<u>\$ 3,578,856</u>	<u>\$ 12,813,856</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$6,275,242, and contributions made by the District during the year were \$2,317,708. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$286,465 and (\$482,919), respectively, which resulted in an increase to the net OPEB obligation of \$3,761,080. As of June 30, 2015, the net OPEB obligation was \$12,013,239. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Stores inventories	15,833	-	-	-	15,833
Total Nonspendable	65,833	-	-	-	65,833
Restricted					
Legally restricted programs	7,882,523	-	-	-	7,882,523
Capital projects	-	48,925,339	-	8,300,613	57,225,952
Debt services	-	-	12,063,624	-	12,063,624
Total Restricted	7,882,523	48,925,339	12,063,624	8,300,613	77,172,099
Committed					
Adult education program	-	-	-	211,216	211,216
Deferred maintenance program	-	-	-	1,230,935	1,230,935
Total Committed	-	-	-	1,442,151	1,442,151
Assigned					
Capital projects	-	-	-	6,215,925	6,215,925
Unassigned	11,041,986				11,041,986
Total	\$ 18,990,342	\$ 48,925,339	\$ 12,063,624	\$ 15,958,689	\$ 95,937,994

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 120 retirees and beneficiaries currently receiving benefits, and 1,612 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 2014-2015, the District contributed \$2,317,708 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	\$ 6,275,242
Interest on net OPEB obligation	286,465
Adjustment to annual required contribution	(482,919)
Annual OPEB cost (expense)	6,078,788
Contributions made	(2,317,708)
Increase in net OPEB obligation	3,761,080
Net OPEB obligation, beginning of year	8,252,159
Net OPEB obligation, end of year	<u>\$ 12,013,239</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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
2013	\$ 4,971,516	\$ 2,916,354	59%	\$ 6,365,889
2014	4,844,381	2,958,111	61%	8,252,159
2015	6,078,788	2,317,708	38%	12,013,239

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)
January 1, 2015	\$ -	\$ 20,767,166	\$ 20,767,166	0%	\$ 113,966,645	18%

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, 2015

In the January 1, 2015, 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, 2015, was 23 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, 2015, 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 2015, 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, 2015

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, 2013 to June 30, 2015:

	Dental and Vision
Liability Balance, June 30, 2013	\$ 381,182
Claims and changes in estimates	2,981,573
Claims payments	(2,981,573)
Liability Balance, June 30, 2014	381,182
Claims and changes in estimates	2,987,230
Claims payments	(2,994,862)
Liability Balance, June 30, 2015	\$ 373,550
Assets available to pay claims at June 30, 2015	\$ 2,802,726

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 97,892,874	\$ 7,193,735	\$ 24,105,934	\$ 8,451,316
CalPERS	30,537,951	3,826,127	12,632,024	2,714,200
Total	\$ 128,430,825	\$ 11,019,862	\$ 36,737,958	\$ 11,165,516

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$7,193,735.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 97,892,874
State's proportionate share of the net pension liability associated with the District	59,111,944
Total	<u>\$ 157,004,818</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1675percent.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$7,193,935 and revenue of \$5,103,269 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,193,935	\$ -
Difference between projected and actual earnings on pension plan investments	-	25,105,934
Total	<u>\$ 7,193,935</u>	<u>\$ 25,105,934</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 6,026,483
2017	6,026,483
2018	6,026,484
2019	6,026,484
Total	<u>\$ 24,105,934</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 152,589,389
Current discount rate (7.60%)	97,892,874
1% increase (8.60%)	52,285,921

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$3,826,127.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,537,951. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.2690 percent.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$2,714,200. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,826,127	\$ -
Net change in proportionate share of net pension liability	-	2,138,842
Difference between projected and actual earnings on pension plan investments	-	10,493,182
Total	<u>\$ 3,826,127</u>	<u>\$ 12,632,024</u>

The deferred inflows of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the 2013-2014 measurement period is 3.9 years and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	\$ 712,947
2017	712,947
2018	712,948
Total	<u>\$ 2,138,842</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 2,623,296
2017	2,623,296
2018	2,623,295
2019	2,623,295
Total	<u>\$ 10,493,182</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 53,570,538
Current discount rate (7.50%)	30,537,951
1% increase (8.50%)	11,291,903

Alternative Retirement Program

The District also contributes to the Accumulation Program for Part-time and Limited Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$97,955, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$97,955, which was 3.75 percent of the covered payroll.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 \$4,043,858 (5.679 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, 2015.

Litigation

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

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
New District Education Community Sport Complex/Phase I	\$ 36,900,000	December 30, 2017
Palm View Admin Remodel, Shade, Parking Lot Upgrades	400,000	December 30, 2015
Westshore High School Athletic Field Improvement	2,200,000	December 1, 2015
	<u>\$ 39,500,000</u>	

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, the District made payments of \$1,018,873 and \$4,065,645 to RSIA and RSRMA, respectively, for services received.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 244,111,623
Adoption of GASB Statement No. 68	
Inclusion of net pension liability	(164,301,098)
Inclusion of deferred outflows of resources	9,386,610
Net Position - Beginning as Restated	<u>\$ 89,197,135</u>

NOTE 16 - SUBSEQUENT EVENTS

2012 General Obligation Bonds, Series B

On September 15, 2015, the Coachella Valley Unified School District issued 2012 General Obligation Bonds, Series B in the amount of \$5,865,000. The Series B bonds represent the second issuance of authorized bonds not to exceed \$41,000,000 to be issued under the measure as approved by the voters. The Series B bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$5,652,598 (representing principal amount of \$5,865,000 less cost of issuance of \$212,402). Proceeds from the sale of bonds will be used for the financing of acquisition and construction of facilities.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

2015 General Obligation Refunding Bonds

On September 15, 2015, the Coachella Valley Unified School District issued 2015 General Obligation Refunding Bonds in the amount of \$11,550,000. The Refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$11,960,871 (representing principal amount of \$11,550,000 plus an original issue premium of \$560,728 less cost of issuance of \$149,857). Proceeds from the sale of bonds will be used to refund a portion of the District's outstanding 2005 General Obligation Bonds, Series B.

REQUIRED SUPPLEMENTARY INFORMATION

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
REVENUES				
Local Control Funding Formula	\$ 143,274,529	\$ 146,891,837	\$ 147,945,545	\$ 1,053,708
Federal sources	18,692,027	23,736,291	16,686,041	(7,050,250)
Other State sources	15,095,224	20,213,396	23,951,543	3,738,147
Other local sources	7,601,610	7,924,662	9,120,565	1,195,903
Total Revenues ¹	184,663,390	198,766,186	197,703,694	(1,062,492)
EXPENDITURES				
Current				
Certificated salaries	81,161,929	83,214,287	81,981,593	1,232,694
Classified salaries	28,835,278	31,968,012	31,212,556	755,456
Employee benefits	48,184,664	48,524,290	50,675,834	(2,151,544)
Books and supplies	13,396,390	12,397,344	9,786,030	2,611,314
Services and operating expenditures	16,107,358	19,421,887	19,244,877	177,010
Capital outlay	21,232	164,079	268,029	(103,950)
Other outgo	(132,132)	575,657	329,610	246,047
Total Expenditures ¹	187,574,719	196,265,556	193,498,529	2,767,027
Excess (Deficiency) of Revenues Over Expenditures	(2,911,329)	2,500,630	4,205,165	1,704,535
Other Financing Uses:				
Transfers out	(959,169)	(1,521,475)	(2,397,482)	(876,007)
NET CHANGE IN FUND BALANCE	(3,870,498)	979,155	1,807,683	828,528
Fund Balance - Beginning	17,182,659	17,182,659	17,182,659	-
Fund Balance - Ending	\$ 13,312,161	\$ 18,161,814	\$ 18,990,342	\$ 828,528

¹ On behalf payments of \$4,043,858 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, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
May 1, 2010	\$ -	\$ 20,029,575	\$ 20,029,575	0%	\$ 97,681,039	21%
October 1, 2012	-	20,192,972	20,192,972	0%	103,343,722	20%
January 1, 2015	-	20,767,166	20,767,166	0%	113,966,645	18%

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability (asset)	<u>0.1675%</u>
District's proportionate share of the net pension liability (asset)	\$ 97,892,874
State's proportionate share of the net pension liability (asset) associated with the District	<u>59,111,944</u>
Total	<u><u>\$ 157,004,818</u></u>
District's covered - employee payroll	<u>\$ 75,069,672</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>130.40%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 CalPERS	
District's proportion of the net pension liability (asset)	<u>0.2690%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 30,537,951</u>
District's covered - employee payroll	<u>\$ 28,274,050</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>108.01%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 7,193,735
Contributions in relation to the contractually required contribution	<u>(7,193,735)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 81,010,529</u>
 Contributions as a percentage of covered - employee payroll	 <u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 3,826,127
Contributions in relation to the contractually required contribution	<u>(3,826,127)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 32,507,451</u>
 Contributions as a percentage of covered - employee payroll	 <u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Awards:			
Indian Education	84.060A	[1]	\$ 14,119
Elementary and Secondary School Counseling Demonstration	84.215E	[1]	3,414
Passed through California Department of Education (CDE):			
Adult Education Grants:			
Adult Basic Education - ESL	84.002A	14508	98,019
Adult Basic Education - Adult Secondary Education	84.002A	13978	189,488
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	82,308
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	6,116,971
Title I, Part G - Advanced Placement Test Fee	84.330	14831	31,376
Title II, Part A - Improving Teacher Quality	84.367	14341	1,631,433
Title II, Part B - CA Mathematics and Science Partnership	84.366	14512	348,736
Title III - Limited English Proficiency	84.365	10084	1,400,242
Title IV, Part B - 21st Century Community Learning Centers	84.287	14604	1,576
Vocational Education Grants			
Applied Technology - Secondary Education	84.048	13924	197,523
Passed through Riverside County Office of Education:			
Title I, Part C - Migrant Education	84.011	14326	1,115,650
Title I, Part C - Migrant Education Summer Program	84.011	10005	327,098
Title X McKinney - Vento Homeless Children Assistance	84.196	14332	1,044
Passed through Riverside County SELPA:			
Special Education Cluster (IDEA):			
Local Assistance	84.027	13379	2,535,502
Federal Preschool	84.173	13430	45,315
Preschool Local Assistance	84.027A	13682	110,743
Mental Health Allocation Plan, Part B	84.027A	14468	98,261
Preschool Staff Development	84.173A	13431	483
Supporting Inclusive Practices	84.027A	13693	2,694
Subtotal for Special Education Cluster (IDEA)			2,792,998
Total U.S. Department of Education			14,351,995

[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, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13390	\$ 2,237,282
National School Lunch Program	10.555	13523, 13524	7,374,528
Meal Supplements	10.555	13666	262,196
Food Distribution	10.555	13523, 13524	798,880
Summer Food Program	10.559	13004	150,232
Subtotal for Child Nutrition Cluster			<u>10,823,118</u>
Child and Adult Care Food Program	10.558	13665	1,497,272
Fresh Fruit and Vegetable Program	10.582	14968	356,062
Total U.S. Department of Agriculture			<u>12,676,452</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	<u>141,327</u>
Passed through Riverside County Office of Education [2]:			
Head Start Cluster:			
Head Start	93.600	10016	1,556,603
Early Head Start	93.600	10016	590,326
Subtotal for Head Start Cluster			<u>2,146,929</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Continued			
Passed through CDE:			
Child Care Development (CCDF) Fund Cluster:			
California State Preschool Program	93.596	13609	134,486
General Child Care and Development Programs	93.575	15136	74,476
Subtotal for Child Care Development Cluster			<u>208,962</u>
Total U.S. Department of Health and Human Services			<u>2,497,218</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through CDE:			
AmeriCorps	94.006	10043	369,009
Total Expenditures of Federal Awards			<u>\$ 29,894,674</u>

[2] Does not include District in-kind contributions of \$620,540 to meet Federal matching requirements.
See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

The Coachella Valley Unified School District was established in 1973 and consists of an area comprising approximately 1,250 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>
Maria G. Machuca	President	2016
Lowell Kamper	Vice President	2016
Meagen Caress	Clerk	2018
Manuel Jarvis Martinez	Member	2016
Joe Murillo	Member	2016
Joey Acuna Jr.	Member	2018
Blanca Torres Hall	Member	2018

ADMINISTRATION

Dr. Darryl S. Adams	Superintendent
Gregory Fromm	Assistant Superintendent, Business and Finance
Jason Angle	Assistant Superintendent, Educational Services
Michelle Murphy	Executive Director, Technology Services
Alex Gonzales	Director, Special Education

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,065.03	6,093.79
Fourth through sixth	4,518.27	4,531.03
Seventh and eighth	2,732.26	2,823.81
Ninth through twelfth	4,681.89	4,616.64
Total Regular ADA	17,997.45	18,065.27
Extended Year Special Education		
Transitional kindergarten through third	4.52	4.52
Fourth through sixth	3.38	3.38
Seventh and eighth	0.36	0.36
Ninth through twelfth	0.10	0.40
Total Extended Year Special Education	8.36	8.66
Total ADA	18,005.81	18,073.93

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87	Reduced	2014-15	Number of Days		Status
	Minutes	1986-87 Minutes		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	54,780	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			54,675	180	N/A	Complied
Grade 2			54,675	180	N/A	Complied
Grade 3			54,675	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,675	180	N/A	Complied
Grade 5			54,675	180	N/A	Complied
Grade 6			54,675	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			60,892	180	N/A	Complied
Grade 8			60,892	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			63,120	180	N/A	Complied
Grade 10			63,120	180	N/A	Complied
Grade 11			63,120	180	N/A	Complied
Grade 12			63,120	180	N/A	Complied

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, 2015

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND				
Revenues	\$ 217,864,887	\$ 197,703,694	\$ 177,476,473	\$ 163,766,140
Expenditures	212,593,653	193,498,529	176,115,540	174,264,416
Other uses and transfers out	1,349,095	2,397,482	1,762,280	1,506,731
Total Expenditures and Other Uses	213,942,748	195,896,011	177,877,820	175,771,147
INCREASE (DECREASE) IN FUND BALANCE	\$ 3,922,139	\$ 1,807,683	\$ (401,347)	\$ (12,005,007)
ENDING FUND BALANCE	\$ 22,912,481	\$ 18,990,342	\$ 17,182,659	\$ 17,584,006
AVAILABLE RESERVES ²	\$ 17,376,835	\$ 11,041,986	\$ 5,680,284	\$ 11,039,628
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	8.28%	5.76%	3.27%	6.42%
LONG-TERM OBLIGATIONS	N/A	\$ 266,785,684	\$ 270,339,831	\$ 271,966,848
K-12 AVERAGE DAILY ATTENDANCE AT P-2	18,006	18,006	17,803	17,866

The General Fund balance has increased by \$1,406,336 over the past two years. The fiscal year 2015-2016 budget projects a further increase of \$3,922,139 (21percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by \$5,181,164 over the past two years.

Average daily attendance has increased by 140 over the past two years. No additional growth of ADA is anticipated during fiscal year 2015-2016.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$4,043,858, \$3,945,698, and \$3,734,581, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

See accompanying note to supplementary information.

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015**

<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, 2015

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 73,015	\$ 495,362	\$ 522,065	\$ 5,876,106
Receivables	209,917	100,555	457	5,091
Due from other funds	1,638	164,546	719,729	-
Total Assets	\$ 284,570	\$ 760,463	\$ 1,242,251	\$ 5,881,197
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,437	\$ 948	\$ 11,316	\$ 32,217
Due to other funds	65,917	759,515	-	-
Total Liabilities	73,354	760,463	11,316	32,217
Fund Balances:				
Restricted	-	-	-	5,848,980
Committed	211,216	-	1,230,935	-
Assigned	-	-	-	-
Total Fund Balances	211,216	-	1,230,935	5,848,980
Total Liabilities and Fund Balances	\$ 284,570	\$ 760,463	\$ 1,242,251	\$ 5,881,197

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Capital Project Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 2,344,246	\$ 5,888,580	\$ 222,073	\$ 15,421,447
8,252	3,979	-	328,251
-	359,239	-	1,245,152
<u>\$ 2,352,498</u>	<u>\$ 6,251,798</u>	<u>\$ 222,073</u>	<u>\$ 16,994,850</u>

\$ 122,938	\$ 834	\$ -	\$ 175,690
-	35,039	-	860,471
<u>122,938</u>	<u>35,873</u>	<u>-</u>	<u>1,036,161</u>

2,229,560	-	222,073	8,300,613
-	-	-	1,442,151
-	6,215,925	-	6,215,925
<u>2,229,560</u>	<u>6,215,925</u>	<u>222,073</u>	<u>15,958,689</u>
<u>\$ 2,352,498</u>	<u>\$ 6,251,798</u>	<u>\$ 222,073</u>	<u>\$ 16,994,850</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, 2015

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	\$ 933,933	\$ -	\$ -	\$ -
Federal sources	369,815	208,962	-	-
Other State sources	21,584	960,534	109,269	-
Other local sources	63,071	49,040	1,810	1,943,331
Total Revenues	1,388,403	1,218,536	111,079	1,943,331
EXPENDITURES				
Current				
Instruction	971,037	1,521,425	-	-
Instruction-related activities:				
Supervision of instruction	139,482	-	-	-
School site administration	248,145	61,033	-	-
General administration:				
All other general administration	60,253	53,737	-	-
Plant services	57,213	2,015	6,141	-
Facility acquisition and construction	-	-	496,178	605,767
Other outgo	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	1,476,130	1,638,210	502,319	605,767
Excess (Deficiency) of Revenues Over Expenditures	(87,727)	(419,674)	(391,240)	1,337,564
Other Financing Sources:				
Transfers in	13,806	419,674	1,010,460	-
Other sources - proceeds from issuance of refunding certificates of participation	-	-	-	-
Other sources - premium on issuance of refunding certificates of participation	-	-	-	-
Transfers out	-	-	-	-
Other uses - payment to refunded certificates of participation escrow agent	-	-	-	-
Net Financing Sources (Uses)	13,806	419,674	1,010,460	-
NET CHANGE IN FUND BALANCES	(73,921)	-	619,220	1,337,564
Fund Balances - Beginning	285,137	-	611,715	4,511,416
Fund Balances - Ending	\$ 211,216	\$ -	\$ 1,230,935	\$ 5,848,980

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Capital Project Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 933,933
-	-	-	578,777
-	359,239	-	1,450,626
9,403	2,646,350	58,533	4,771,538
9,403	3,005,589	58,533	7,734,874
-	-	-	2,492,462
-	-	-	139,482
-	-	-	309,178
-	-	-	113,990
-	-	-	65,369
527,464	3,537,662	-	5,167,071
-	-	4,421	4,421
-	710,000	-	710,000
-	2,369,654	-	2,369,654
527,464	6,617,316	4,421	11,371,627
(518,061)	(3,611,727)	54,112	(3,636,753)
-	953,542	-	2,397,482
-	21,915,000	-	21,915,000
-	891,392	-	891,392
-	(990,287)	-	(990,287)
-	(24,501,850)	-	(24,501,850)
-	(1,732,203)	-	(288,263)
(518,061)	(5,343,930)	54,112	(3,925,016)
2,747,621	11,559,855	167,961	19,883,705
\$ 2,229,560	\$ 6,215,925	\$ 222,073	\$ 15,958,689

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, 2015

(Dollar amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 16,686	8.6	\$ 19,452	11.0	\$ 19,684	12.0
State and local revenue included in Local Control Funding Formula	147,946	76.4	125,062	70.5	95,036	58.0
Other State revenue	19,908	10.3	23,993	13.5	39,123	23.9
Other local revenue	9,119	4.7	8,969	5.0	9,923	6.1
Total Revenues	193,659	100.0	177,476	100.0	163,766	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	81,982	42.3	75,829	42.7	75,200	45.9
Classified salaries	31,213	16.1	25,509	14.4	25,776	15.7
Employee benefits	46,632	24.1	46,887	26.4	45,626	27.9
Total Salaries and Benefits	159,827	82.5	148,225	83.5	146,602	89.5
Books and supplies	9,786	5.1	7,267	4.1	9,132	5.6
Contracts and operating expenses	19,245	9.9	18,625	10.5	17,692	10.8
Capital outlay	268	0.1	1,616	0.9	821	0.5
Other outgo	329	0.2	382	0.2	17	0.0
Total Expenditures	189,455	97.8	176,115	99.2	174,264	106.4
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,204	2.2	1,361	0.8	(10,498)	(6.4)
OTHER FINANCING SOURCES (USES)						
Net transfers	(2,397)	(1.3)	(1,762)	(1.0)	(1,507)	(0.9)
INCREASE (DECREASE) IN FUND BALANCE	1,807	0.9	(401)	(0.2)	(12,005)	(7.3)
FUND BALANCE, BEGINNING	17,183		17,584		29,589	
FUND BALANCE, ENDING	\$ 18,990		\$ 17,183		\$ 17,584	

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, 2015

(Dollar amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 11,878	88.8	\$ 11,888	88.1	\$ 12,121	87.4
State meal program	879	6.6	776	5.8	833	6.0
Food sales	567	4.2	774	5.7	877	6.3
Other	52	0.4	48	0.4	43	0.3
Total Revenues	13,376	100.0	13,486	100.0	13,874	100.0
EXPENDITURES						
Salaries and employee benefits	6,647	49.7	6,161	45.7	6,028	43.4
Food	4,629	34.6	4,665	34.6	5,220	37.6
Supplies	488	3.6	385	2.8	384	2.8
Other	1,267	9.5	699	5.2	969	7.0
Total Expenditures	13,031	97.4	11,910	88.3	12,601	90.8
INCREASE IN NET POSITION	345	2.6	1,576	11.7	1,273	9.2
NET POSITION, BEGINNING	12,852		11,276		10,003	
NET POSITION, ENDING	\$ 13,197		\$ 12,852		\$ 11,276	
ENDING FUND BALANCE TO TOTAL REVENUES		1.0		0.5		0.5

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2014-2015		2013-2014		2012-2013	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	262,829	9.8	252,951	9.7	206,057	8.0
Reduced price	336,749	12.5	323,614	12.4	309,886	12.0
Free	2,086,139	77.7	2,028,202	77.9	2,063,953	80.0
Total Lunches	2,685,717	100.0	2,604,767	100.0	2,579,896	100.0
BREAKFAST						
Paid	103,950	8.2	189,917	14.0	78,042	5.9
Reduced price	132,103	10.4	129,723	9.6	129,292	9.8
Free	1,032,564	81.4	1,035,040	76.4	1,114,051	84.3
Total Breakfast	1,268,617	100.0	1,354,680	100.0	1,321,385	100.0

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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. Funds have been recorded in the current period as revenues that have not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities:		\$ 29,941,269
Medi-Cal Billing Option	93.778	(46,595)
Total Schedule of Expenditures of Federal Awards		<u>\$ 29,894,674</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. The District neither met nor exceeded its target funding. 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 the 1986-87 requirements, as required by *Education Code* Section 46201.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2015

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 AUDITOR'S REPORTS

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**INDEPENDENT AUDITOR'S 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, 2015, 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 14, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 14, 2015.

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.

Varinck, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2015



**INDEPENDENT AUDITOR'S 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, 2015. 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, 2015.

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.

Varinick, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2015



INDEPENDENT AUDITOR'S 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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, 2015.

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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 opinions. Our audit does not provide a legal determination of Coachella Valley Unified School District's compliance with those requirements.

Unmodified Opinion

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, 2015.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Coachella Valley Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to the Middle or Early College High Schools.

The District does not have any Regional Occupational Centers or Programs; therefore, we did not perform procedures related to the Regional Occupational Centers or Programs Maintenance of Effort.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 14, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's 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 Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal 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 Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants, Low Income and Neglected</u>
<u>84.365</u>	<u>Title III - Limited English Proficiency</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 896,840</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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.

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	50000	Federal Compliance
2014-001	50000	

Program Name: Title I, Part A
CFDA Number: 84.010
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Education

FEDERAL COMPLIANCE – TITLE I, PART A

Payroll – Certificated Substitutes

Criteria or Specific Requirements

Any Teacher hired to teach a core academic subject and who work in a program supported with Title I, Part A funds are required to be highly qualified as defined in 34 CFR Section 200.56. In addition, it is vital that substitutes be able to perform their duties well. Although short-term substitute teachers do not need to meet the highly qualified teacher requirements under *No Child Left Behind*, according to the U.S. Department of Education, it is strongly recommended that a long-term substitute teacher meet the requirements for a highly qualified teacher as defined in the law.

Condition

The District charged \$73,465 to substitute charges during the 2013-2014 fiscal year. Currently, the District does not have a procedure in place to differentiate between long-term and short-term substitute charges. Since there is no distinction, the District charged unallowable costs to the program.

Questioned Costs

A total of \$73,465 in questioned costs was identified as a result of the condition identified above.

Context

The condition was identified through the course of the auditor's review of the District's employee attendance monitoring procedures; review of payroll records and through inquiry with the District's Payroll Department personnel.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Effect

The District charged unallowed costs to Title I, Part A for the fiscal year of 2013-2014. The identified questioned costs of \$73,465 must be reported as a finding of questioned costs for Title I, Part A.

Cause

The District does not have a control in place to properly approve substitutes prior to subbing in the classroom. As a result, the District is unable to ensure long term substitutes meet the definition of a highly qualified teacher.

Recommendation

It is recommended the District transfer out the amounts that were charged to the Federal program for the certificated substitutes. District policy requires that all employees, substitutes, and extra duty assignments are being reviewed and pre-approved by all necessary personnel prior to working. It is recommended the District enforce the current policy over the approval for certificated substitutes including a review of highly qualified teacher requirements for any long-term substitutes hired to teach under the program. All requests for substitute teachers must flow through the approval path established by the District which is determined by the account code being charged. In addition, the District needs to implement procedures to identify long-term subs.

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, 2015, 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 14, 2015, on the financial statements of Coachella Valley Unified School District.

INTERNAL CONTROLS

District Clearing Account

Observation

The following weaknesses were noted in the cash clearing account:

Bank reconciliations are not being prepared in a timely manner. We noted the bank reconciliations prepared for July through November were prepared in January 2015. As a result, the bank reconciliations were not being reviewed as well.

One deposit had various gaps between receipt numbers that was forwarded to the District. Other deposits had receipts that were skipped or various voided receipts. The District reconciles the monies sent from the sites and departments to the receipts or other supporting documentation. However, the District is not monitoring the numerical sequence of receipts forwarded to ensure there are no gaps in the receipts forwarded and no gaps between the last receipt in the previous deposit sent and the first receipt in the current deposit received.

Recommendations

Bank reconciliations should be prepared in a timely manner in order to ensure that the cash balance reported are accurate and that the financial institution has not made any mistakes. The bank reconciliations should be reviewed to ensure that all information is correct and any discrepancies are identified and cleared in a timely manner.

The District should implement additional procedures to monitor the numerical sequence of receipts forwarded from the sites and departments to ensure there are no gaps in the receipts forwarded and no gaps between the last receipt in the previous deposit sent and the first receipt in the current deposit received. This may include the District reviewing at the site level which departments collect monies and ensuring a District issued receipt book is provided as needed. The District should also implement procedures that require the sites and departments to forward the payee receipt copy (white copy) along with the deposit receipt copy (yellow copy) for any skipped or voided amounts. These procedures will help verify that monies receipted at the site and department level flow through in their entirety to the final deposit into District cash accounts.

ASSOCIATED STUDENT BODY (ASB)

Valle Del Sol Elementary School

Observations

During our review of associated student body procedures, the following issues were noted:

1. Revenue potential forms are not being completed. The "Analysis/Gains and Loss" portion of the form was not completed for all four of the fundraisers reviewed.
2. All Four of the disbursements tested lack prior approval.
3. No related disbursements were noted as being made during the year for 2 of the 4 fundraisers reviewed.

Recommendations

1. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This 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. In addition, payments for any goods or services should not be made from the cash collections.
2. In order to ensure proper internal controls over the ASB disbursements, the site should make certain that all disbursement transactions are pre-approved by authorized administrative personnel. This would allow the reviewing administrator to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. Payments for any goods or services should not be made from the cash collections. In order to ensure proper internal controls over the ASB disbursements, the site should make certain that all expenditures are pre-approved and made through the normal disbursement process. This would help ensure purchases are appropriate and sufficient funding is available.

West Shores High School

Observations

During our review of associated student body procedures, the following issues were noted:

1. One out of nine disbursements reviewed did not have any receiving documentation.
2. Four out of nine receipts tested were not deposited in a timely manner. The number of days between the receipt and deposit date were nine days for all four deposits.

3. A master ticket log is not being used by the sites to account for all tickets on hand and used during the year. In addition, a ticket sales recap form for each event is not prepared which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket.
4. Revenue potential forms are not being completed. The "Analysis/Gains and Loss" portion of the form was not completed for the only fundraiser available for review at the time of the audit.

Recommendations

1. All expenditures should be supported with receiving documentation when possible. If for some reason the packing slip was disposed of, the person who received the items should sign and date the invoice. Signing and dating the invoice will prompt the payment of the items because it is confirming that the items are all accounted for. These procedures will ensure that the ASB is only paying for items once they have been properly received.
2. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The site should also review the District's policy AR 3450 which provides establish guidelines for monies collected at the site.
3. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.
4. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This 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.

Cahuilla Desert Academy

Observation

During testing of revenue potentials, auditor noted that both fundraisers tested did not have the "profit or loss" analysis portion of the form completed.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This 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.

Coachella Valley High School

Observation

During testing of ticketed events, auditor noted that a ticket control log is not being used to document the beginning and ending ticket numbers when rolls are being checked out.

Recommendation

A ticket control log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log. The reconciliation of the control log to the sales recap form ensures the site has proper internal control over their ticketed events.

La Familia High School

Observation

Receipts are not being used when monies are received by the ASB advisor. In addition, based on the date noted on the sales summary and bank deposit date it appears monies are not being deposited in a timely manner. It appeared the site held monies for a range of 11 to 70 days before being deposited. Lastly, a shortage of \$40 was noted between the bank deposit and the supporting documentation for the month of November. The subsequent month December was reviewed and no additional differences were noted.

Recommendation

It is recommended that pre-numbered receipts should be used for all monies collected. This will help ensure all monies received are deposited and in a timely manner. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The site should also review the District's policy AR 3450 which provides establish guidelines for monies collected at the site.

Desert Mirage High School

Observation

One out of 15 disbursements tested did not appear to be an appropriate expenditure. The disbursement appeared to benefit an individual student instead of benefiting the specific needs of the student groups or the student body as a whole.

Recommendation

It is recommended that the District reimburse the associated student body for the amount in question of \$1,585. In the future, the ASB should refer to the Fiscal Crisis and Management Assistance Team Associated Student Body Accounting Manual Chapter 14 - "Allowable and Questionable Expenses" for guidance regarding the appropriateness of expenditures.

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

Varinick, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2015