

**COACHELLA VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2017

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 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, 2017, 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 *2016-2017 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 78, schedule of other postemployment benefits funding progress on page 79, schedule of the district's proportionate share of net pension liability on page 80, and the schedule of district contributions on page 81, 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 combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Coachella Valley Unified School District's 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.

A handwritten signature in black ink that reads "Vavrinch, Train, Day & Co., LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 14, 2017



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, 2017, with comparative information for June 30, 2016. 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. 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 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, 2017

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.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District was able to maintain a strong ending balance in the combined General Fund. This resulted from careful control of expenditures. In the current, and past few years, the economic outlook has improved and now the District anticipates revenue to stabilize over the next few years.

The District issued \$50.3 million in additional bonds under the 2005 authorization. A portion of these funds will be used to build new schools.

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, 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$58,904,629 for the fiscal year ended June 30, 2017. Of this amount, (\$180,971,117) 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

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	\$ 184,510,160	\$ 160,211,425
Capital assets	424,401,780	406,196,345
Total Assets	608,911,940	566,407,770
Deferred Outflows of Resources	55,804,599	43,275,575
Liabilities		
Current liabilities	19,892,862	14,852,445
Long-term obligations	374,263,794	310,901,982
Aggregate net pension liability	205,595,954	159,801,286
Total Liabilities	599,752,610	485,555,713
Deferred Inflows of Resources	6,059,300	33,296,365
Net Position		
Net investment in capital assets	202,531,925	210,115,001
Restricted	37,343,821	37,884,927
Unrestricted (Deficit)	(180,971,117)	(157,168,661)
Total Net Position	\$ 58,904,629	\$ 90,831,267

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 821,451	\$ 956,579
Operating grants and contributions	61,703,916	57,300,699
Capital grants and contributions	7,148	7,049
General revenues:		
Federal and State aid not restricted	166,199,230	166,096,322
Property taxes	50,062,478	43,772,074
Other general revenues	4,530,949	9,453,985
Total Revenues	283,325,172	277,586,708
Expenses		
Instruction-related	217,418,032	182,292,315
Student support services	47,795,516	39,757,319
Administration	16,034,182	14,814,946
Plant services	18,544,296	23,358,742
Other	15,459,784	12,969,013
Total Expenses	315,251,810	273,192,335
Change in Net Position	\$ (31,926,638)	\$ 4,394,373

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$315,251,810. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$50,062,478 because the cost was paid by those who benefited from the programs \$821,451 or by other governments and organizations who subsidized certain programs with grants and contributions (\$61,711,064). We paid for the remaining "public benefit" portion of our governmental activities with \$166,199,230 in Federal and State unrestricted funds and with other revenues, such as interest and general entitlements (\$4,530,949).

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

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 187,608,435	\$ 156,700,811	\$ 151,540,529	\$ 124,548,058
Instruction-related activities	29,809,597	25,591,504	24,138,804	19,290,990
Home-to-school transportation	14,560,345	12,736,581	14,411,943	12,736,581
Food services	18,755,414	16,837,425	5,282,047	2,859,715
Other pupil services	14,479,757	10,183,313	12,234,882	8,323,521
General administration	16,034,182	14,814,946	13,475,989	12,465,902
Plant services	18,544,296	23,358,742	18,333,791	23,189,340
Interest on long-term obligations	13,934,335	10,438,380	13,934,335	10,438,380
Other	1,525,449	2,530,633	(633,025)	1,075,521
Total	\$ 315,251,810	\$ 273,192,335	\$ 252,719,295	\$ 214,928,008

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$166,472,564, which is an increase of \$20,732,932 from last year.

Table 4

	Fund Balance			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	\$ 36,735,680	\$ 248,574,354	\$ 262,227,906	\$ 23,082,128
Building Fund	71,334,732	50,673,964	18,446,588	103,562,108
Bond Interest and Redemption Fund	15,678,185	21,014,470	14,144,011	22,548,644
Adult Education Fund	512,088	2,432,215	2,295,520	648,783
Child Development Fund	-	2,033,145	2,033,145	-
Cafeteria Fund	7,896,780	14,245,270	19,431,081	2,710,969
Deferred Maintenance Fund	337,482	424,757	762,239	-
Capital Facilities Fund	5,191,891	1,815,488	1,937,126	5,070,253
County School Facilities Fund	906,136	7,148	565,232	348,052
Special Reserve Fund for Capital Outlay Projects	6,900,815	4,523,548	3,202,872	8,221,491
Capital Project Fund for Blended Component Unit	245,843	42,882	8,589	280,136
Total	\$ 145,739,632	\$ 345,787,241	\$ 325,054,309	\$ 166,472,564

The primary reasons for these increases/decreases are:

- The decrease of \$13.6 million in the General Fund was a result of bargaining unit negotiation settlements, textbook adoptions, and transfer of prop 39 energy efficiency funds out of the general fund. The increase of \$32.2 million in the Building Fund resulted from the issuance of a new bond.

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 revision to the 2016-17 Budget ("Estimated Actuals") was adopted on June 29, 2017 (see page 77).

Significant revenue revisions made to the 2016-2017 budget were due to changes in various categorical programs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$424,428,780 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 \$18,232,435, or 4.5 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in process	\$ 96,275,594	\$ 81,114,641
Buildings and improvements	315,097,586	310,381,239
Furniture and equipment	13,055,600	14,700,465
Total	\$ 424,428,780	\$ 406,196,345

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 \$374,263,794 in obligations versus \$310,901,982 last year, an increase of \$63,361,812, or 20.4 percent. These obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds, net (Financed with property taxes)	\$ 302,240,180	\$ 250,825,597
Certificates of participation, net	22,519,050	22,641,494
Capital lease	6,720,845	-
Lease refinancing	18,765,000	19,690,000
OPEB	21,187,547	15,021,799
Other	2,831,172	2,723,092
Total	\$ 374,263,794	\$ 310,901,982

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.

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Net Pension Liability (NPL)

The District had an outstanding pension liability of \$205,595,954 and \$159,801,286 at June 30, 2017 and 2016, respectively, as a result of the adoption of GASB Statement No. 68, *Accounting and Reporting for Pensions*.

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. Please direct questions about this report, or requests for additional financial information to Erik Lee, Assistant Superintendent-Business Services at Coachella Valley Unified School District, 87-225 Church Street, P.O. Box 847, Thermal, California, 92274, or e-mail at erik.lee@cvusd.us.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 166,959,878
Receivables	16,775,133
Prepaid expenses	324,120
Stores inventories	451,029
Capital assets:	
Land and construction in process	96,275,594
Other capital assets	476,743,596
Less: Accumulated depreciation	(148,617,410)
Total Capital Assets	424,401,780
Total Assets	608,911,940
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,915,921
Deferred outflows of resources related to pensions	51,888,678
Total Deferred Outflows of Resources	55,804,599
LIABILITIES	
Accounts payable	14,884,652
Accrued interest payable	4,458,310
Unearned revenue	549,900
Long-Term Obligations:	
Current portion of long-term obligations other than pensions	11,281,608
Noncurrent portion of long-term obligations other than pensions	362,982,186
Total Long-Term Obligations	374,263,794
Aggregate net pension liability	205,595,954
Total Liabilities	599,752,610
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,059,300
NET POSITION	
Net investment in capital assets	202,531,925
Restricted for:	
Debt service	18,090,334
Capital projects	5,418,305
Educational programs	8,492,051
Other activities	5,343,131
Unrestricted (Deficit)	(180,971,117)
Total Net Position	\$ 58,904,629

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 187,608,435	\$ 46,190	\$ 36,014,568	\$ 7,148	\$(151,540,529)
Instruction-related activities:					
Supervision of instruction	5,784,356	637	2,356,430	-	(3,427,289)
Instructional library, media, and technology	179,633	-	16,324	-	(163,309)
School site administration	23,845,608	582	3,296,820	-	(20,548,206)
Pupil services:					
Home-to-school transportation	14,560,345	-	148,402	-	(14,411,943)
Food services	18,755,414	57,049	13,416,318	-	(5,282,047)
All other pupil services	14,479,757	33	2,244,842	-	(12,234,882)
General administration:					
Data processing	4,084,685	-	48	-	(4,084,637)
All other general administration	11,949,497	3,937	2,554,208	-	(9,391,352)
Plant services	18,544,296	3,293	207,212	-	(18,333,791)
Interest on long-term obligations	13,934,335	-	-	-	(13,934,335)
Other outgo	1,525,449	709,730	1,448,744	-	633,025
Total Governmental Activities	\$ 315,251,810	\$ 821,451	\$ 61,703,916	\$ 7,148	(252,719,295)
General Revenues and Subventions:					
Property taxes, levied for general purposes					29,499,203
Property taxes, levied for debt service					16,208,410
Taxes levied for other specific purposes					4,354,865
Federal and State aid not restricted to specific purposes					166,199,230
Interest and investment earnings					332,635
Miscellaneous					4,198,314
Subtotal, General Revenues					220,792,657
Change in Net Position					(31,926,638)
Net Position - Beginning					90,831,267
Net Position - Ending					\$ 58,904,629

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Building Fund
ASSETS		
Deposits and investments	\$ 20,512,895	\$ 104,834,568
Receivables	13,590,776	277,423
Due from other funds	1,654,968	-
Prepaid expenditures	324,120	-
Stores inventories	36,168	-
Total Assets	\$ 36,118,927	\$ 105,111,991
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 11,932,301	\$ 1,549,872
Due to other funds	589,362	11
Unearned revenue	515,136	-
Total Liabilities	13,036,799	1,549,883
Fund Balances:		
Nonspendable	410,288	-
Restricted	8,492,051	103,562,108
Committed	-	-
Assigned	-	-
Unassigned	14,179,789	-
Total Fund Balances	23,082,128	103,562,108
Total Liabilities and Fund Balances	\$ 36,118,927	\$ 105,111,991

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 22,548,644	\$ 16,517,069	\$ 164,413,176
-	2,900,936	16,769,135
-	545,724	2,200,692
-	-	324,120
-	414,861	451,029
<u>\$ 22,548,644</u>	<u>\$ 20,378,590</u>	<u>\$ 184,158,152</u>
\$ -	\$ 1,402,479	\$ 14,884,652
-	1,661,663	2,251,036
-	34,764	549,900
<u>-</u>	<u>3,098,906</u>	<u>17,685,588</u>
-	416,886	827,174
22,548,644	8,438,528	143,041,331
-	202,779	202,779
-	8,221,491	8,221,491
-	-	14,179,789
<u>22,548,644</u>	<u>17,279,684</u>	<u>166,472,564</u>
<u>\$ 22,548,644</u>	<u>\$ 20,378,590</u>	<u>\$ 184,158,152</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Total Fund Balance - Governmental Funds **\$ 166,472,564**

**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:

\$ 573,019,190

Accumulated depreciation is:

(148,617,410)

Net Capital Assets

424,401,780

Expenditures relating to refinancing of debt were recognized on the
modified accrual basis, but are not recognized on the accrual basis.

3,915,921

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.

(4,458,310)

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:

2,603,044

Deferred outflows of resources related to pensions represent a consumption
of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date

18,605,523

Net change in proportionate share of net pension liability

9,196,308

Difference between projected and actual earnings on pension plan
investments

21,281,075

Difference between expected and actual experience in the
measurement of the total pension liability

2,805,772

Total Deferred Outflows of Resources Related to
Pensions

51,888,678

Deferred inflows of resources related to pensions represent an acquisition of
net position that applies to a future period and is not reported in the
District's funds. Deferred inflows of resources related to pensions at
year-end consist of:

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, 2017

Net change in proportionate share of net pension liability	\$	(675,426)	
Difference between expected and actual experience in the measurement of the total pension liability		(3,423,922)	
Change in assumptions		<u>(1,959,952)</u>	
Total Deferred Inflows of Resources Related to Pensions			\$ (6,059,300)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.			(205,595,954)
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		263,890,415	
Unamortized premium on general obligation bonds		13,816,789	
Certificates of participation		21,755,000	
Unamortized premium on certificates of participation		764,050	
Capital lease obligations		6,720,845	
Compensated absences		2,831,172	
2012 Lease refunding		10,275,000	
2013 Lease refunding		8,490,000	
Other postemployment benefits (OPEB)		21,187,547	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:		<u>24,532,976</u>	
Total Long-Term Obligations			(374,263,794)
Total Net Position - Governmental Activities			<u><u>\$ 58,904,629</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	\$ 188,045,813	\$ -
Federal sources	23,953,617	-
Other State sources	22,727,960	-
Other local sources	7,113,958	830,581
Total Revenues	241,841,348	830,581
EXPENDITURES		
Current		
Instruction	162,970,212	-
Instruction-related activities:		
Supervision of instruction	5,295,202	-
Instructional library, media, and technology	170,963	-
School site administration	21,810,590	-
Pupil services:		
Home-to-school transportation	13,593,941	-
Food services	-	-
All other pupil services	13,914,201	-
General administration:		
Data processing	3,949,008	-
All other general administration	10,582,570	-
Plant services	20,344,200	59,530
Facility acquisition and construction	7,420,247	18,387,058
Other outgo	882,298	-
Debt service		
Principal	12,161	-
Interest and other	117,828	-
Total Expenditures	261,063,421	18,446,588
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	(19,222,073)	(17,616,007)
Other Financing Sources (Uses):		
Transfers in	-	-
Other sources - proceeds from issuance of General Obligation bonds	-	49,843,383
Other sources - premium on issuance of General Obligation bonds	-	-
Other sources - capital lease	6,733,006	-
Transfers out	(1,164,485)	-
Net Financing Sources (Uses)	5,568,521	49,843,383
NET CHANGE IN FUND BALANCES	(13,653,552)	32,227,376
Fund Balances - Beginning	36,735,680	71,334,732
Fund Balances - Ending	\$ 23,082,128	\$ 103,562,108

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 188,045,813
-	13,873,535	37,827,152
78,092	4,011,008	26,817,060
16,219,189	6,475,425	30,639,153
16,297,281	24,359,968	283,329,178
-	3,416,607	166,386,819
-	232,647	5,527,849
-	-	170,963
-	393,125	22,203,715
-	-	13,593,941
-	18,347,367	18,347,367
-	29,532	13,943,733
-	-	3,949,008
-	947,594	11,530,164
-	136,624	20,540,354
-	3,928,887	29,736,192
634,562	8,589	1,525,449
6,250,000	1,005,000	7,267,161
7,259,449	1,789,832	9,167,109
14,144,011	30,235,804	323,889,824
2,153,270	(5,875,836)	(40,560,646)
-	1,164,485	1,164,485
486,617	-	50,330,000
4,230,572	-	4,230,572
-	-	6,733,006
-	-	(1,164,485)
4,717,189	1,164,485	61,293,578
6,870,459	(4,711,351)	20,732,932
15,678,185	21,991,035	145,739,632
\$ 22,548,644	\$ 17,279,684	\$ 166,472,564

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, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ 20,732,932**

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 expense in the period.

Capital outlays	\$ 32,774,948	
Depreciation expense	<u>(14,546,833)</u>	
Net Expense Adjustment		18,228,115

Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds. (22,680)

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

The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position. (6,733,006)

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. (6,165,746)

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 \$131,130. Vacation earned was more than the amounts used by \$239,210. (108,080)

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. (5,758,741)

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:

2005 General Obligation Bonds, Series 2016-F	(50,330,000)
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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, 2017

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	\$	(4,230,572)
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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 effect the Statement of Activities:

General obligation bonds	6,250,000
Certificates of participation	80,000
Capital lease obligations	12,161
Lease refinancing	925,000

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	\$	916,273	
Amortization of deferred amount on refunding		<u>(269,840)</u>	
Combined Adjustment			646,433

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, capital leases, and lease refinancing increased by \$1,435,819, and second, \$3,977,840 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(5,413,659)

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.

(38,795)

Change in Net Position of Governmental Activities

\$ (31,926,638)

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 2,546,702
Receivables	5,998
Due from other funds	52,054
Total Current Assets	<u>2,604,754</u>
LIABILITIES	
Current Liabilities	
Due to other funds	<u>1,710</u>
NET POSITION	
Restricted	<u><u>\$ 2,603,044</u></u>

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, 2017

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	<u>\$ 1,524,133</u>
OPERATING EXPENSES	
Professional and contract services	<u>1,581,602</u>
Operating Loss	<u>(57,469)</u>
NONOPERATING REVENUES	
Interest income	<u>18,674</u>
Change in Net Position	(38,795)
Total Net Position - Beginning	<u>2,641,839</u>
Total Net Position - Ending	<u><u>\$ 2,603,044</u></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, 2017

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 1,473,931
Cash payments for interfund services	(1,581,602)
Net Cash Used in Operating Activities	<u>(107,671)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>18,674</u>
 Net Decrease in Cash and Cash Equivalents	(88,997)
Cash and Cash Equivalents - Beginning	2,635,699
Cash and Cash Equivalents - Ending	<u><u>\$ 2,546,702</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Loss	\$ (57,469)
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Receivables	(1,687)
Due from other fund	(50,225)
Due to other fund	1,710
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (107,671)</u></u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 611,917</u>
LIABILITIES	
Accounts payable	\$ 1,788
Due to student groups	<u>610,129</u>
Total Liabilities	<u>\$ 611,917</u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2017

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.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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:

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 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 deferred charges on refunding of debt and for pension related items. 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 pension related items. 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, 2017

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, 2017, 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, 2017

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 \$37,343,821.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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 inter-period equity, and creating additional transparency.

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*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 166,959,878
Fiduciary funds	611,917
Total Deposits and Investments	<u>\$ 167,571,795</u>

Deposits and investments as of June 30, 2017, consisted of the following:

Cash on hand and in banks	\$ 1,368,688
Cash in revolving	52,025
Investments	166,151,082
Total Deposits and Investments	<u>\$ 167,571,795</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, 2017

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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
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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Authorized Under Debt Agreements, (Continued)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
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

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 Treasury 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	Reported Amount	Average Maturity in Days
Riverside County Treasury Investment Pool	\$ 166,151,082	412

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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 Treasury Investment Pool is not required to be rated, as of year-end it reflected an Aaa rating by Moody's Investors Service.

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, 2017, the District's bank balance of \$957,217 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.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Reported Amount	Uncategorized
Riverside County Treasury Investment Pool	\$ 166,151,082	\$ 166,151,082

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, 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	Total Governmental Activities
Federal Government					
Categorical aid	\$ 8,818,284	\$ -	\$ 2,401,422	\$ -	\$ 11,219,706
State Government					
Categorical aid	3,122,583	-	441,974	-	3,564,557
Lottery	731,294	-	-	-	731,294
Special Education	587,275	-	-	-	587,275
Local Government					
Interest	77,245	277,423	35,348	5,958	395,974
Other Local Sources	254,095	-	22,192	40	276,327
Total	<u>\$ 13,590,776</u>	<u>\$ 277,423</u>	<u>\$ 2,900,936</u>	<u>\$ 5,998</u>	<u>\$ 16,775,133</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 32,201,723	\$ 3,378,685	\$ -	\$ 35,580,408
Construction in process	48,912,918	22,057,199	10,274,931	60,695,186
Total Capital Assets Not Being Depreciated	81,114,641	25,435,884	10,274,931	96,275,594
Capital Assets Being Depreciated				
Land improvements	43,126,782	12,047,758	-	55,174,540
Buildings and improvements	372,527,780	3,004,859	-	375,532,639
Furniture and equipment	43,497,719	2,561,378	22,680	46,036,417
Total Capital Assets Being Depreciated	459,152,281	17,613,995	22,680	476,743,596
Less Accumulated Depreciation				
Land improvements	12,239,402	2,612,438	-	14,851,840
Buildings and improvements	93,033,921	7,723,832	-	100,757,753
Furniture and equipment	28,797,254	4,210,563	-	33,007,817
Total Accumulated Depreciation	134,070,577	14,546,833	-	148,617,410
Governmental Activities Capital Assets, Net	<u>\$ 406,196,345</u>	<u>\$ 28,503,046</u>	<u>\$ 10,297,611</u>	<u>\$ 424,401,780</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 13,092,150
Home-to-school transportation	436,405
All other pupil services	581,873
Plant services	436,405
Total Depreciation Expenses Governmental Activities	<u>\$ 14,546,833</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2017, between major funds, non-major governmental funds and internal service funds are as follows:

Due From	Due To				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 11	1,653,247	\$ 1,710	\$ 1,654,968
Non-Major Governmental Funds	545,724	-	-	-	545,724
Internal Service Fund	43,638	-	8,416	-	52,054
Total	<u>\$ 589,362</u>	<u>\$ 11</u>	<u>\$ 1,661,663</u>	<u>\$ 1,710</u>	<u>\$ 2,252,746</u>

A balance of \$421,731 is due to the Child Development Non-Major Governmental Fund from the General Fund for an operating contribution.

A balance for \$795,028 is due to the General Fund from the Child Development Non-Major Governmental Fund for a temporary loan.

A balance for \$788,420 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for reimbursement of payroll, indirect costs, and other operating 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.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

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

Child Development Fund for operating contributions.	\$ 623,542
Deferred Maintenance Fund to set aside money for future maintenance costs.	421,709
Special Reserve Fund for Capital Outlay Projects to set aside funds for future capital outlay costs.	119,234
Total	<u>\$ 1,164,485</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
LCFF apportionment	\$ 3,490,026	\$ -	\$ -	\$ 3,490,026	\$ -
Salaries and benefits	1,279,396	-	67,717	1,347,113	-
Supplies	4,934,022	58,185	45,616	5,037,823	-
Services	1,481,649	10,060	189,338	1,681,047	-
Capital Outlay	114,249	1,481,627	1,099,808	2,695,684	-
Other	632,959	-	-	632,959	1,788
Total	<u>\$ 11,932,301</u>	<u>\$ 1,549,872</u>	<u>\$ 1,402,479</u>	<u>\$ 14,884,652</u>	<u>\$ 1,788</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 28,330	\$ 34,764	\$ 63,094
State categorical aid	486,806	-	486,806
Total	<u>\$ 515,136</u>	<u>\$ 34,764</u>	<u>\$ 549,900</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 240,365,551	\$ 54,307,840	\$ 6,250,000	\$ 288,423,391	\$ 9,745,000
Premium on issuance	10,460,046	4,230,572	873,826	13,816,792	-
Certificates of participation	21,835,000	-	80,000	21,755,000	90,000
Premium on issuance	806,494	-	42,447	764,047	-
Capital leases	-	6,733,006	12,161	6,720,845	51,608
Accumulated vacation - net	2,591,962	239,210	-	2,831,172	-
Supplemental Early Retirement Plan (SERP)	131,130	-	131,130	-	-
2012 Lease refinancing	10,790,000	-	515,000	10,275,000	545,000
2013 Lease refinancing	8,900,000	-	410,000	8,490,000	850,000
Other postemployment benefits (OPEB)	15,021,799	7,749,827	1,584,079	21,187,547	-
	<u>\$ 310,901,982</u>	<u>\$ 73,260,455</u>	<u>\$ 9,898,643</u>	<u>\$ 374,263,794</u>	<u>\$ 11,281,608</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 General Fund. 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 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, 2017

General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

	Issue	Maturity	Interest	Original	Bonds				Bonds
	Date	Date	Rate	Issue	Outstanding	Issued	Accreted	Redeemed	Outstanding
					July 1, 2016				June 30, 2017
1997 Series B	8/1/98	8/1/23	3.70-5.28%	\$ 9,999,278	\$ 10,979,192	\$ -	\$ 547,169	\$ 1,250,000	\$ 10,276,361
2005 Series A	8/19/05	8/1/30	3.00-5.09%	49,998,180	1,447,440	-	74,612	-	1,522,052
2005 Series B	2/7/07	8/1/31	4.00-5.00%	30,000,000	875,000	-	-	400,000	475,000
2005 Series C	5/12/10	8/1/43	6.82-10.51%	24,990,463	36,841,890	-	2,617,880	-	39,459,770
2010 Refunding	5/12/10	8/1/22	2.75-4.50%	6,560,000	4,115,000	-	-	535,000	3,580,000
2005 Series D	7/12/12	8/1/43	3.00-5.97%	54,999,882	56,187,029	-	738,179	-	56,925,208
2012 Series A	4/25/13	8/1/28	0.91-3.55%	20,255,000	17,670,000	-	-	1,625,000	16,045,000
2014 Refunding	1/23/14	8/1/28	1.50-5.00%	38,145,000	37,800,000	-	-	2,210,000	35,590,000
2014 Refunding Series B	7/14/14	8/1/30	2.00-5.00%	17,455,000	17,355,000	-	-	85,000	17,270,000
2012, Series B	9/15/15	8/1/23	2.89-5.377%	5,865,000	5,865,000	-	-	-	5,865,000
2015 Refunding	9/15/15	8/1/31	1.50-5.25%	11,550,000	11,550,000	-	-	145,000	11,405,000
2005, Series E	6/2/16	8/1/45	2.00-4.00%	39,680,000	39,680,000	-	-	-	39,680,000
2005, Series F	10/25/16	8/1/46	3.00-5.00	50,330,000	-	50,330,000	-	-	50,330,000
					<u>\$ 240,365,551</u>	<u>\$ 50,330,000</u>	<u>\$ 3,977,840</u>	<u>\$ 6,250,000</u>	<u>\$ 288,423,391</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, 2017, the principal outstanding was \$10,276,361.

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, 2017, the principal balance outstanding was \$1,522,052.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2017, the principal balance outstanding was \$475,000.

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, 2017, the principal balance outstanding was \$39,459,770. Unamortized premium received on issuance of the bonds amounted to \$1,178,672.

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, 2017, the principal balance outstanding was \$3,580,000. Unamortized premium received on issuance of the bonds amounted to \$56,111.

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, 2017, the principal balance outstanding was \$56,925,208. Unamortized premium received on issuance of the bonds amounted to \$2,274,133..

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding was \$16,045,000.

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 position 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, 2017, the principal balance outstanding was \$35,590,000. Unamortized premium received on issuance of the bonds amounted to \$1,927,275.

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, 2017, the principal balance outstanding was \$17,270,000. Unamortized premium on issuance and deferred amount on refunding were \$1,215,705 and \$1,376,445, respectively.

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 bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$5,652,599 (representing the principal amount of \$5,865,000, less cost of issuance of \$212,401). The bonds have a final maturity which occurs on August 1, 2023 with interest rates of 2.89 to 5.377 percent. Proceeds from the sale of the bonds are used to finance the construction, renovation, and repair of District facilities and infrastructure projects, and to pay issuance costs. As of June 30, 2017, the principal balance outstanding was \$5,865,000.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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 the principal amount of \$11,550,000 and premium of \$506,728, less cost of issuance of \$149,857). The bonds have a final maturity which occurs on August 1, 2031 with interest rates of 1.50 to 5.25 percent. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2005 General Obligation Bonds, Series B in the amount \$11,000,000. The refunding resulted in a cumulative cash flow saving of \$839,335 over the life of the new debt and an economic gain of \$671,335 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.44 percent. As of June 30, 2017, the principal balance outstanding was \$11,405,000. Unamortized premium on issuance and deferred amount on refunding were \$480,624 and \$823,604, respectively.

2005 General Obligation Bonds, Series 2016-E

On June 2, 2016, the Coachella Valley Unified School District issued 2005 General Obligation Bonds, Series 2016-E in the amount of \$39,680,000. The bonds represent the fifth issuance from the 2005 election of bonds authorized not to exceed \$250,000,000. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$41,860,952 (representing the principal amount of \$39,680,000, plus premium on issuance of \$2,780,055, less cost of issuance of \$599,103). The bonds have a final maturity which occurs on August 1, 2045 with interest rates of 2.0 to 4.00 percent. Proceeds from the sale of the bonds are used to finance the construction, renovation, and repair of District facilities and infrastructure projects, and to pay issuance costs. As of June 30, 2017, the principal balance outstanding was \$39,680,000. Unamortized premium received on issuance of the bonds amounted to \$2,594,716.

2005 General Obligation Bonds, Series 2016-F

On October 4, 2016, the Coachella Valley Unified School District issued 2005 General Obligation Bonds, Series 2016-F in the amount of \$50,330,000. The bonds represents the sixth issuance from the 2005 election of bonds authorized not to exceed \$250,000,000. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$53,902,088 (representing the principal amount of \$50,330,000, plus premium on issuance of \$4,230,572, less cost of issuance of \$658,484). The bonds have a final maturity which occurs on August 1, 2046 with interest rates of 3.0 to 5.0 percent. Proceeds from the sale of the bonds are used to finance the construction, renovation, and repair of District facilities and infrastructure projects, and to pay issuance costs. As of June 30, 2017, the principal balance outstanding was \$50,330,000 and unamortized premium on issuance was \$4,089,553.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2018	\$ 9,716,327	\$ 28,673	\$ 9,076,655	\$ 18,821,655
2019	9,827,532	102,468	8,827,678	18,757,678
2020	6,887,144	182,856	8,601,846	15,671,846
2021	8,662,786	272,214	8,377,988	17,312,988
2022	9,373,159	366,841	8,100,997	17,840,997
2023-2027	43,222,291	5,277,709	26,373,173	74,873,173
2028-2032	44,594,320	11,195,680	19,050,882	74,840,882
2033-2037	41,912,255	30,702,745	16,410,594	89,025,594
2038-2042	27,337,007	56,592,993	16,121,203	100,051,203
2043-2045	86,890,570	43,504,430	10,964,463	141,359,463
Total	<u>\$ 288,423,391</u>	<u>\$ 148,226,609</u>	<u>\$ 131,905,479</u>	<u>\$ 568,555,479</u>

Certificates of Participation

The outstanding Certificates of Participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2016	Redeemed	Outstanding June 30, 2017
8/21/14	9/1/36	2.00%-5.00%	<u>\$ 21,915,000</u>	<u>\$ 21,835,000</u>	<u>\$ 80,000</u>	<u>\$ 21,755,000</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2017, the principal balance outstanding was \$21,755,000. Unamortized premium on issuance and deferred amount on refunding were \$764,050 and \$1,715,872, respectively.

Year Ending June 30,	Principal	Interest	Total
2018	\$ 90,000	\$ 894,200	\$ 984,200
2019	395,000	889,350	1,284,350
2020	605,000	876,325	1,481,325
2021	680,000	853,650	1,533,650
2022	740,000	821,550	1,561,550
2023-2027	4,245,000	3,523,400	7,768,400
2028-2032	6,695,000	2,500,600	9,195,600
2033-2037	8,305,000	806,100	9,111,100
Total	<u>\$ 21,755,000</u>	<u>\$ 11,165,175</u>	<u>\$ 32,920,175</u>

Capital Leases

The District has entered into agreements to lease various facilities. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements is summarized below:

Balance, July 1, 2016	\$ -
Additions	9,187,687
Payments	(129,989)
Balance, June 30, 2017	<u>\$ 9,057,698</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	\$ 286,621
2019	340,806
2020	396,819
2021	454,717
2022	498,549
2023-2027	3,112,323
2028-2032	3,967,863
Total	9,057,698
Less: Amount Representing Interest	(2,336,853)
Present Value of Minimum Lease Payments	<u>\$ 6,720,845</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$2,831,172.

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, 15 employees who have retired after 2003 have elected to receive these annuities, as purchased from United of Omaha and Principal Life Insurance. The outstanding SERP liability was fully paid at June 30, 2017.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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. As of June 30, 2017, the principal balance outstanding was \$10,275,000.

The lease refinancing repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
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	625,000	420,500	1,045,500
2022	660,000	388,875	1,048,875
2023-2026	7,280,000	1,205,250	8,485,250
Total	<u>\$ 10,275,000</u>	<u>\$ 3,451,750</u>	<u>\$ 13,726,750</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. As of June 30, 2017, the principal balance outstanding was \$8,490,000.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 850,000	\$ 334,698	\$ 1,184,698
2019	400,000	308,760	708,760
2020	300,000	294,235	594,235
2021	360,000	280,540	640,540
2022	440,000	263,940	703,940
2023-2027	2,760,000	997,452	3,757,452
2028-2032	3,380,000	362,088	3,742,088
Total	<u>\$ 8,490,000</u>	<u>\$ 2,841,713</u>	<u>\$ 11,331,713</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$7,499,948, and contributions made by the District during the year were \$1,584,079. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$540,597 and \$(290,718), respectively, which resulted in an increase to the net OPEB obligation of \$6,165,748. As of June 30, 2017, the net OPEB obligation was \$21,187,547. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 - 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	\$ -	\$ -	\$ 2,025	\$ 52,025
Stores inventories	36,168	-	-	414,861	451,029
Prepaid expenditures	324,120	-	-	-	324,120
Total Nonspendable	<u>410,288</u>	<u>-</u>	<u>-</u>	<u>416,886</u>	<u>827,174</u>
Restricted					
Legally restricted programs	8,492,051	-	-	2,740,087	11,232,138
Capital projects	-	103,562,108	-	5,698,441	109,260,549
Debt services	-	-	22,548,644	-	22,548,644
Total Restricted	<u>8,492,051</u>	<u>103,562,108</u>	<u>22,548,644</u>	<u>8,438,528</u>	<u>143,041,331</u>
Committed					
Adult education program	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,779</u>	<u>202,779</u>
Assigned					
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,221,491</u>	<u>8,221,491</u>
Unassigned	<u>14,179,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,179,789</u>
Total	<u>\$ 23,082,128</u>	<u>\$ 103,562,108</u>	<u>\$ 22,548,644</u>	<u>\$ 17,279,684</u>	<u>\$ 166,472,564</u>

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 256,887,886</u>	<u>\$ 261,063,421</u>	<u>\$ 4,175,535</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 12 - 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 86 retirees and beneficiaries currently receiving benefits, and 1,864 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 2016-2017, the District contributed \$1,584,079 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	\$ 7,499,948
Interest on net OPEB obligation	540,597
Adjustment to annual required contribution	(290,718)
Annual OPEB cost	<u>7,749,827</u>
Contributions made	<u>(1,584,079)</u>
Increase in net OPEB obligation	6,165,748
Net OPEB obligation, beginning of year	<u>15,021,799</u>
Net OPEB obligation, end of year	<u><u>\$ 21,187,547</u></u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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
2015	\$ 6,078,788	\$ 2,317,708	38%	\$ 12,013,239
2016	5,943,570	2,935,010	49%	15,021,799
2017	7,749,827	1,584,079	20%	21,187,547

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, 2017	\$ -	\$ 55,787,506	\$ 55,787,506	0%	\$ 153,922,416	36%

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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, 2017, was 21 years.

NOTE 13 - 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, 2017, 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 2017, 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 14 - 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).

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 140,359,988	\$ 27,056,427	\$ 3,423,922	\$ 14,318,850
CalPERS	65,235,966	24,832,251	2,635,378	10,045,410
Total	<u>\$ 205,595,954</u>	<u>\$ 51,888,678</u>	<u>\$ 6,059,300</u>	<u>\$ 24,364,260</u>

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, 2015, 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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.

The STRP provisions and benefits in effect at June 30, 2017, 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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were \$12,724,260.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

At June 30, 2017, 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	\$ 140,359,988
State's proportionate share of the net pension liability associated with the District	79,904,437
Total	<u>\$ 220,264,425</u>

The net pension liability was measured as of June 30, 2016. 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. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.1735 percent and 0.1732 percent, resulting in a net increase in the proportionate share of 0.0003 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$14,318,850. In addition, the District recognized pension expense and revenue of \$6,989,953 for support provided by the State. At June 30, 2017, 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	\$ 12,724,260	\$ -
Net change in proportionate share of net pension liability	3,173,616	-
Difference between projected and actual earnings on pension plan investments	11,158,551	-
Differences between expected and actual experience in the measurement of the total pension liability	-	3,423,922
Total	<u>\$ 27,056,427</u>	<u>\$ 3,423,922</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The deferred outflows 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 subsequent fiscal year. The deferred outflows/(inflows) 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,	Deferred Outflows/(Inflows) of Resources
2018	\$ 243,443
2019	243,444
2020	6,486,504
2021	4,185,160
Total	<u>\$ 11,158,551</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 2,039
2019	2,039
2020	2,039
2021	2,039
2022	2,034
Thereafter	(260,496)
Total	<u>\$ (250,306)</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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%

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's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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.

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%)	\$ 202,009,678
Current discount rate (7.60%)	140,359,988
1% increase (8.60%)	89,157,339

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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>.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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.

The CalPERS provisions and benefits in effect at June 30, 2017, 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	13.888%	13.888%

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, 2017, are presented above and the total District contributions were \$5,881,263.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$65,235,966. The net pension liability was measured as of June 30, 2016. 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. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.3303 percent and 0.2932 percent, resulting in a net increase in the proportionate share of 0.0371 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$10,045,410. At June 30, 2017, 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	\$ 5,881,263	\$ -
Net change in proportionate share of net pension liability	6,022,692	675,426
Difference between projected and actual earnings on pension plan investments	10,122,524	-
Differences between expected and actual experience in the measurement of the total pension liability	2,805,772	-
Changes of assumptions	-	1,959,952
Total	<u>\$ 24,832,251</u>	<u>\$ 2,635,378</u>

The deferred outflows 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 subsequent fiscal year. The deferred outflows/(inflows) 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,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,419,818
2019	1,419,818
2020	4,640,998
2021	2,641,890
Total	<u>\$ 10,122,524</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,994,443
2019	2,582,457
2020	1,616,186
Total	<u>\$ 6,193,086</u>

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	\$ 97,332,424
Current discount rate (7.65%)	65,235,966
1% increase (8.65%)	38,509,348

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$133,809, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$133,809, which was 3.75 percent of the covered payroll.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$6,989,953 (8.602 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 15 - 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, 2017.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
District community education phase 1	\$ 4,602,719	December 31, 2017
District community education phase 2	20,110,296	June 30, 2018
New Palm View Elementary	34,946,526	August 31, 2021
North Shore Elementary	44,831,207	August 31, 2021
Valle Del Sol new modular restrooms	329,564	October 31, 2017
West Shores portable classroom	480,773	October 31, 2017
Westside plumbing upgrade	802,081	October 31, 2017
	<u>\$ 106,103,166</u>	

NOTE 16 - 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, 2017, the District made payments of \$1,251,731 and \$6,615,667 to RSIA and RSRMA, respectively, for services received.

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	\$ 188,110,391	\$ 188,934,527	\$ 188,045,813	\$ (888,714)
Federal sources	22,412,716	25,644,139	23,953,617	(1,690,522)
Other State sources	13,419,082	17,326,788	22,727,960	5,401,172
Other local sources	6,006,072	6,214,575	7,113,958	899,383
Total Revenues	229,948,261	238,120,029	241,841,348	3,721,319
EXPENDITURES				
Current				
Certificated salaries	97,168,510	104,525,491	104,703,691	(178,200)
Classified salaries	38,407,164	40,559,581	40,873,312	(313,731)
Employee benefits	58,095,543	62,350,191	66,521,875	(4,171,684)
Books and supplies	14,085,476	19,558,124	18,093,280	1,464,844
Services and operating expenditures	22,615,378	28,095,622	22,938,949	5,156,673
Capital outlay	2,056,763	1,783,479	7,867,621	(6,084,142)
Other outgo	(120,623)	15,398	64,693	(49,295)
Total Expenditures	232,308,211	256,887,886	261,063,421	(4,175,535)
Deficiency of Revenues				
Over Expenditures	(2,359,950)	(18,767,857)	(19,222,073)	(454,216)
Other Financing Sources (Uses):				
Other sources - capital lease	-	-	6,733,006	6,733,006
Transfers out	(700,528)	(742,754)	(1,164,485)	(421,731)
Net Financing Sources				
(Uses)	(700,528)	(742,754)	5,568,521	6,311,275
NET CHANGE IN FUND BALANCE	(3,060,478)	(19,510,611)	(13,653,552)	5,857,059
Fund Balance - Beginning	36,735,680	36,735,680	36,735,680	-
Fund Balance - Ending	\$ 33,675,202	\$ 17,225,069	\$ 23,082,128	\$ 5,857,059

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

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)
October 1, 2012	\$ -	\$ 41,035,202	\$ 41,035,202	0%	\$ 103,343,722	40%
January 1, 2015	-	51,247,242	51,247,242	0%	126,503,247	41%
January 1, 2017	-	55,787,506	55,787,506	0%	153,922,416	36%

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.1735%	0.1732%	0.1675%
District's proportionate share of the net pension liability	\$ 140,359,988	\$ 116,584,701	\$ 94,892,874
State's proportionate share of the net pension liability associated with the District	79,904,437	61,660,455	59,111,944
Total	<u>\$ 220,264,425</u>	<u>\$ 178,245,156</u>	<u>\$ 154,004,818</u>
District's covered - employee payroll	<u>\$ 87,381,314</u>	<u>\$ 81,010,529</u>	<u>\$ 75,059,672</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	160.63%	143.91%	126.42%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.3303%	0.2932%	0.2690%
District's proportionate share of the net pension liability	<u>\$ 65,235,966</u>	<u>\$ 43,216,585</u>	<u>\$ 30,537,951</u>
District's covered - employee payroll	<u>\$ 39,568,996</u>	<u>\$ 32,507,451</u>	<u>\$ 28,274,050</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	164.87%	132.94%	108.01%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	\$ 12,724,260	\$ 9,376,015	\$ 7,193,735
Contributions in relation to the contractually required contribution	(12,724,260)	(9,376,015)	(7,193,735)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 101,146,741	\$ 87,381,314	\$ 81,010,529
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	\$ 5,881,263	\$ 4,688,926	\$ 3,826,127
Contributions in relation to the contractually required contribution	(5,881,263)	(4,688,926)	(3,826,127)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 42,341,706	\$ 39,568,996	\$ 32,507,451
Contributions as a percentage of covered - employee payroll	13.89%	11.85%	11.77%

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

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation for both CalSTRS and CalPERS.

Changes in Benefit Terms – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

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]	\$ 14,564
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States			
Adult Basic Education - ESL	84.002A	14508	116,219
Adult Basic Education - Adult Secondary Education	84.002A	13978	311,155
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	73,568
Subtotal for Adult Education - Basic Grants to States			500,942
Title I, Part A - Basic Grants, Low Income and Neglected	84.010	14329	12,604,266
Title I, Part G - Advanced Placement Test Fee	84.330	14831	36,290
Title II, Part A - Improving Teacher Quality	84.367	14341	842,491
Title II, Part B - CA Mathematics and Science Partnership	84.366	14512	452,247
Race to the Top - Early Learning Challenge	84.412	15181	35,236
English Language Acquisition State Grants			
Title III - Immigrant Education Program	84.365	15146	29,173
Title III - English Learner Student Program	84.365	14346	955,348
Subtotal for English Language Acquisition State Grants			984,521
Carl D. Perkins Career and Technical Education - Secondary, Section 131	84.048	14894	240,384
Passed through Riverside County Office of Education:			
Migrant Education State Grants Program			
Title I, Part C - Migrant Education	84.011	14326	1,367,721
Title I, Part C - Migrant Education Summer Program	84.011	10005	695,258
Subtotal for Migran Education State Grants Program			2,062,979
Passed through Riverside County SELPA:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,999,901
Local Assistance, Part B, Section 611, Private Schools ISPs	84.027	10115	1,489
Preschools Grants, Part B, Section 619	84.173	13430	58,964
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	345,120
Mental Health ADA Allowance, Part B, Section 611	84.027A	15197	205,842
Preschool Staff Development	84.173A	13431	1,147
Passed through CDE:			
Supporting Inclusive Practices	84.027A	13693	34,359
Subtotal for Special Education Cluster (IDEA)			3,646,822
Total U.S. Department of Education			21,420,742

[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, 2017

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	13526	\$ 2,258,771
National School Lunch Program	10.555	13396	8,061,861
Meal Supplements	10.555	13392	287,385
Food Distribution	10.555	13396	837,740
Summer Food Service Program Operations	10.559	13004	114,874
Subtotal for Child Nutrition Cluster			<u>11,560,631</u>
Child and Adult Care Food Program	10.558	13666	1,349,577
Fresh Fruit and Vegetable Program	10.582	14968	413,550
Team Nutrition Grant	10.574	15322	13,600
Total U.S. Department of Agriculture			<u>13,337,358</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	426,266
Passed through Riverside County Treasurer:			
Medical Administrative Activities Program	93.778	10060	254,089
Subtotal for Medi-Cal Assistance Program			<u>680,355</u>
Passed through Riverside County Office of Education [2]:			
Head Start:			
Head Start	93.600	10016	1,736,765
Early Head Start	93.600	15291	382,819
Subtotal for Head Start			<u>2,119,584</u>
Total U.S. Department of Health and Human Services			<u>2,799,939</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through CDE:			
AmeriCorps	94.006	10043	649,133
Total Expenditures of Federal Awards			<u>\$ 38,207,172</u>

[2] Does not include District in-kind contributions to meet Federal matching requirements.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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>
Blanca Torres Hall	President	2018
Joey Acuna Jr.	Vice President	2018
Yolanda Corona	Clerk	2020
Meagan Caress	Member	2018
Jesus Gonzales	Member	2020
Maria G. Machuca	Member	2020
Vacant	Member	N/A

ADMINISTRATION

Dr. Edwin Gomez	Superintendent
Vacant	Assistant Superintendent, Business and Finance
Dr. Donna L. Salazar	Assistant Superintendent, Educational Services
Dr. Maria Gander	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,625.24	5,619.66
Fourth through sixth	4,118.02	4,541.15
Seventh and eighth	2,789.20	2,783.34
Ninth through twelfth	4,663.53	4,580.67
Total Regular ADA	18,195.99	17,524.82
Extended Year Special Education		
Transitional kindergarten through third	31.71	31.71
Fourth through sixth	13.58	13.58
Seventh and eighth	8.31	8.31
Ninth through twelfth	4.71	4.71
Total Extended Year Special Education	58.31	58.31
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	-	0.73
Extended year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	-	0.08
Total ADA	18,254.30	17,583.94

See accompanying note to supplementary information.

As Adjusted per Audit	
Second Period Report	Annual Report
5,610.20	5,619.66
4,543.77	4,541.15
2,789.20	2,783.34
4,664.75	4,580.67
<u>17,607.92</u>	<u>17,524.82</u>
31.71	31.71
13.58	13.58
8.31	8.31
4.71	4.71
<u>58.31</u>	<u>58.31</u>
-	0.73
-	0.08
<u>17,666.23</u>	<u>17,583.94</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,860	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,495	180	N/A	Complied
Grade 2		54,495	180	N/A	Complied
Grade 3		54,495	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,030	180	N/A	Complied
Grade 5		55,030	180	N/A	Complied
Grade 6		55,030	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		61,900	180	N/A	Complied
Grade 8		61,900	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,800	180	N/A	Complied
Grade 10		64,800	180	N/A	Complied
Grade 11		64,800	180	N/A	Complied
Grade 12		64,800	180	N/A	Complied

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	Capital Facilities Fund
FUND BALANCE	
Balance, June 30, 2017, Unaudited Actuals	\$ 5,494,867
Increase in:	
Accounts Payable	(424,614)
Balance, June 30, 2017, Audited Financial Statement	<u>\$ 5,070,253</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND				
Revenues	\$ 233,550,936	\$ 241,841,348	\$ 236,310,633	\$ 197,703,694
Other sources	-	6,733,006	-	-
Total Revenues and Other Sources	233,550,936	248,574,354	236,310,633	197,703,694
Expenditures	236,101,235	261,063,421	217,013,478	193,498,529
Other uses and transfers out	681,782	1,164,485	1,551,817	2,397,482
Total Expenditures and Other Uses	236,783,017	262,227,906	218,565,295	195,896,011
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,232,081)	\$ (13,653,552)	\$ 17,745,338	\$ 1,807,683
ENDING FUND BALANCE	\$ 19,850,047	\$ 23,082,128	\$ 36,735,680	\$ 18,990,342
AVAILABLE RESERVES ²	\$ 7,103,492	\$ 14,179,789	\$ 27,318,342	\$ 11,041,986
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.05%	5.41%	12.92%	5.76%
LONG-TERM OBLIGATIONS	N/A	\$ 374,263,794	\$ 310,901,982	\$ 266,785,684
K-12 AVERAGE DAILY ATTENDANCE AT P-2	17,633	17,666	17,906	18,006

The General Fund balance has increased by \$4,091,786 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$3,232,081 (14.0 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$107,478,110 over the past two years.

Average daily attendance has decreased by 340 over the past two years. Additional decline of 33 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 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 \$7,160,624 and \$4,043,858 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016 and 2015.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017**

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 289,259	\$ 274,648	\$ 902,635	\$ 8,123
Receivables	476,037	160,911	2,232,166	206
Due from other funds	-	421,731	120,516	3,477
Stores inventories	-	-	414,861	-
Total Assets	<u>\$ 765,296</u>	<u>\$ 857,290</u>	<u>\$ 3,670,178</u>	<u>\$ 11,806</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 38,504	\$ 27,498	\$ 170,789	\$ 11,600
Due to other funds	78,009	795,028	788,420	206
Unearned revenue	-	34,764	-	-
Total Liabilities	<u>116,513</u>	<u>857,290</u>	<u>959,209</u>	<u>11,806</u>
Fund Balances:				
Nonspendable	-	-	416,886	-
Restricted	446,004	-	2,294,083	-
Committed	202,779	-	-	-
Assigned	-	-	-	-
Total Fund Balances	<u>648,783</u>	<u>-</u>	<u>2,710,969</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 765,296</u>	<u>\$ 857,290</u>	<u>\$ 3,670,178</u>	<u>\$ 11,806</u>

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Fund	Capital Project Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 5,560,883	\$ 798,685	\$ 8,402,700	\$ 280,136	\$ 16,517,069
12,791	2,115	16,710	-	2,900,936
-	-	-	-	545,724
-	-	-	-	414,861
<u>\$ 5,573,674</u>	<u>\$ 800,800</u>	<u>\$ 8,419,410</u>	<u>\$ 280,136</u>	<u>\$ 20,378,590</u>
\$ 503,421	\$ 452,748	\$ 197,919	\$ -	\$ 1,402,479
-	-	-	-	1,661,663
-	-	-	-	34,764
<u>503,421</u>	<u>452,748</u>	<u>197,919</u>	<u>-</u>	<u>3,098,906</u>
-	-	-	-	416,886
5,070,253	348,052	-	280,136	8,438,528
-	-	-	-	202,779
-	-	8,221,491	-	8,221,491
<u>5,070,253</u>	<u>348,052</u>	<u>8,221,491</u>	<u>280,136</u>	<u>17,279,684</u>
<u>\$ 5,573,674</u>	<u>\$ 800,800</u>	<u>\$ 8,419,410</u>	<u>\$ 280,136</u>	<u>\$ 20,378,590</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, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ 500,942	\$ 35,236	\$ 13,337,357	\$ -
Other State sources	1,854,441	1,341,246	815,321	-
Other local sources	76,832	33,121	92,592	3,048
Total Revenues	2,432,215	1,409,603	14,245,270	3,048
EXPENDITURES				
Current				
Instruction	1,488,053	1,928,554	-	-
Instruction-related activities:				
Supervision of instruction	232,647	-	-	-
School site administration	383,745	9,380	-	-
Pupil Services:				
Food services	-	-	18,347,367	-
All other pupil services	25,729	3,803	-	-
General administration:				
All other general administration	75,769	91,408	780,417	-
Plant services	89,577	-	47,047	-
Facility acquisition and construction	-	-	256,250	762,239
Other outgo	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	2,295,520	2,033,145	19,431,081	762,239
Excess (Deficiency) of Revenues Over Expenditures	136,695	(623,542)	(5,185,811)	(759,191)
Other Financing Sources:				
Transfers in	-	623,542	-	421,709
NET CHANGE IN FUND BALANCES	136,695	-	(5,185,811)	(337,482)
Fund Balances - Beginning	512,088	-	7,896,780	337,482
Fund Balances - Ending	\$ 648,783	\$ -	\$ 2,710,969	\$ -

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Fund	Capital Project Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 13,873,535
-	-	-	-	4,011,008
1,815,488	7,148	4,404,314	42,882	6,475,425
<u>1,815,488</u>	<u>7,148</u>	<u>4,404,314</u>	<u>42,882</u>	<u>24,359,968</u>
-	-	-	-	3,416,607
-	-	-	-	232,647
-	-	-	-	393,125
-	-	-	-	18,347,367
-	-	-	-	29,532
-	-	-	-	947,594
-	-	-	-	136,624
1,937,126	565,232	408,040	-	3,928,887
-	-	-	8,589	8,589
-	-	1,005,000	-	1,005,000
-	-	1,789,832	-	1,789,832
<u>1,937,126</u>	<u>565,232</u>	<u>3,202,872</u>	<u>8,589</u>	<u>30,235,804</u>
<u>(121,638)</u>	<u>(558,084)</u>	<u>1,201,442</u>	<u>34,293</u>	<u>(5,875,836)</u>
-	-	119,234	-	1,164,485
(121,638)	(558,084)	1,320,676	34,293	(4,711,351)
5,191,891	906,136	6,900,815	245,843	21,991,035
<u>\$ 5,070,253</u>	<u>\$ 348,052</u>	<u>\$ 8,221,491</u>	<u>\$ 280,136</u>	<u>\$ 17,279,684</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 37,827,152
Medi-Cal Billing Option	93.778	125,931
Medical Administrative Activities	93.778	254,089
Total Schedule of Expenditures of Federal Awards		<u>\$ 38,207,172</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.

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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

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.

INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 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, 2017, 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, 2017.

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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a significant deficiency.

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, 2017.

Coachella Valley Unified School District's Response to Findings

Coachella Valley Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questions Costs. Coachella Valley Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Rancho Cucamonga, California
December 14, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 14, 2017



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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 *2016-2017 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, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State 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 *2016-2017 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.

Basis for Qualified Opinion on Attendance

As described in the accompanying schedule of findings and questioned costs, Coachella Valley Unified School District did not comply with requirements regarding *Attendance*. Compliance with such requirements is necessary, in our opinion, for Coachella Valley Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on Attendance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Coachella Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

In our opinion, Coachella Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	Yes
General Requirements	Yes
After School	Yes
Before School	No, see below

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below

CHARTER SCHOOLS

Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	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 did not offer an Early Retirement Incentive Program during the current year; 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 a Middle or Early College High Schools Program; therefore, we did not perform any procedures related to Middle or Early College High School Program.

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 offer an Independent Study – Course Based Program; therefore, we did not perform any procedures related to the Independent Study – Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

Vavrinch, Travis, Dwyer Co., LLC

Rancho Cucamonga, California
December 14, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2017

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>Yes</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 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.011</u>	<u>Migrant Education State Grants Program</u>
<u>84.027, 84.027A, 84.173</u>	
<u>& 84.173A</u>	<u>Special Education (IDEA) Cluster</u>
<u>10.553, 10.555 & 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,146,215</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was modified:	
	<u>Name of Program</u>
	<u>Attendance</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

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

2017-001 30000

Criteria or Specific Requirements

Credit card purchases add a layer of convenience to the District's disbursement activities and they are a necessity for certain types of transactions. However, credit card transactions are also a method to bypassing the District's established disbursement procedures and the manner in which credit cards are used must be strictly controlled by the District in order to prevent abuse or misuse. Additionally, under the District's Board Policy Section 3350, travel costs are only allowed upon the approval of travel requests by the Superintendent or designee.

Condition

Based on our review of the District's sample credit card activities, we noted the following activities taking place:

- 1) Travel expenses appear to be charged on the District's credit cards prior to the approval of travel requests taking place.
- 2) Purchases appear to be taking place outside of the District's regularly established purchasing procedures. Specifically, credit card authorization forms are not always being completed and approved prior to the disbursement transactions taking place.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through our inquiry with District's accounting personnel and through our review of source documents related to the District's credit card transactions during the 2016/2017 fiscal year.

Effect

The District is generally not adhering to its credit card usage procedures. Approximately 70% of the sample credit card transactions reviewed were noted as an exception to the District's credit card usage policy. Specifically, 75% of exceptions represented travel related expenses while 25% of the exceptions represented general credit card disbursements.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

Cause

The cause appears to be attributed to the District's lack of adherence to its established procedures.

Recommendation

While being convenient, credit cards generally have a high risk associated with their usage since credit cards generally do not go through the stringent budgetary review and approval procedures that regular disbursements go through. As a result, there is a higher importance of ensuring that all credit card usage is in accordance to the District's established procedures. If the District cannot address its credit usage issues, we recommend the District to significantly limit the use of credit card usage and to also consider reducing the number of credit cards in circulation.

Corrective Action Plan

The District will review and revise its credit card Board Policy to include procedures requiring approval of expenditures prior to incurring the expense. Additionally, the District will reduce the number of credit cards in circulation from eight to five.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents instances of noncompliance and/or questioned costs relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code
10000

AB 3627 Finding Type
Attendance

2017-002 10000

Criteria or Specific Requirements

Pursuant to California Education Code Section 42238.02, the Second Principal (P2) and Annual attendance reports submitted to the California Department of Education must reconcile back to supporting documents that the Local Educational Agency (LEA) has prepared in connection with the calculation of its Average Daily Attendance (ADA) reported on each of the reporting line items to ensure the accuracy of Local Control Funding Formula (LCFF) revenues.

Condition

The District reported 18,195.99 ADA for its Regular program on its P2 attendance report. However, supporting schedules from the District's attendance system did not support the District's reported ADA. Specifically, cumulative attendance summary report that was generated from the District's attendance system as of P2 attendance reporting cutoff date reported a total ADA of 17,607.92.

Questioned Costs

As a result of condition identified above, it appears that the ADA reported by the District on P2 attendance report is overstated/understated. The following is a schedule of the overstatement/understatement observed from the condition identified:

Second Principal (P2) Attendance

<u>Grade Span</u>	<u>Program</u>	<u>ADA Reported by District</u>	<u>ADA per Audit</u>	<u>Effect (Over)/Under</u>
TK - 3	Regular ADA	6,625.24	5,610.20	(1,015.04)
4 - 6	Regular ADA	4,118.02	4,543.77	425.75
9 - 12	Regular ADA	4,663.53	4,664.75	1.22
			Net Effect	<u><u>(588.07)</u></u>

Since the District calculated and reported its current year's Local Control Funding Formula (LCFF) revenues using the correct/audited ADA, there was no impact to the District's current year's revenues. Furthermore, since the District has been experiencing a declining ADA, the District's LCFF revenues would not be directly impacted by this net change in ADA on the basis on the District has calculated its LCFF revenues based on the corrected/audited ADA.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Context

The condition was identified during our review of the District's P2 and Annual attendance reports. Cumulative attendance summary reports supporting each of the reported line items were generated from the District's attendance system and the reports were compared with spreadsheets used by the District to prepare its P2 and Annual attendance reports. Discrepancies between system generated cumulative attendance summary reports and the spreadsheet prepared by the District were noted in the "Questioned Costs" section above.

Effect

As a result of the condition identified, it appears that the ADA reported by the District for its Regular ADA program was overstated by a net ADA of 588.07 prior to filing an amended P2 attendance report.

Cause

The cause appears to be triggered by the District's error in compiling the cumulative attendance summary report. Specifically, the error appears to have materialized due to the District accidentally summing up apportionment days under grade spans instead of an individual grade during the compilation process.

Recommendation

While the use of spreadsheets will facilitate the preparation of the District's P2 and Annual attendance reports, the District must ensure that information entered on the spreadsheets must coincide with information from the source document(s) being used. The District's P2 and Annual attendance report preparation process must include an element of independent review to prevent and eliminate any errors associated with data entries.

Corrective Action Plan

The District has established a second review over the compilation of cumulative attendance data, to reduce the probability of summation errors in the process.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings reported in the prior year's schedule of financial statement findings.



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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, 2017, 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, 2017, on the financial statements of Coachella Valley Unified School District.

INTERNAL CONTROLS

Capital Assets Deletions

Observation

Based on our review the District's capital assets accounting and through inquiry with District personnel, it appears that the District has not been adjusting its capital assets listings with assets that have been disposed. While this observation does not have a direct impact on the District's net position, it does create a scenario where the value of capital assets and the associated accumulated depreciation may be overstated.

Recommendation

The District should ensure that capital assets disposals are forwarded to the District's Business Services Department in a timely manner. More importantly, the District should ensure that capital assets disposals are properly accounted for in its capital assets system.

ASSOCIATED STUDENT BODY

West Shore High School

Observations

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

1. Cash collections are not supported by sub-receipts or logs consistently. Deposits related to fundraising or athletic events tested did not have sufficient documentation such as sub receipts or logs. Therefore, the auditor was not able to verify the accuracy and timeliness of the deposits.

2. Five of seven disbursements tested were not approved prior to transactions taking place.
3. One of the seven disbursements reviewed was partially paid with the advisors personal gift cards. In addition it was noted that the items purchased were delivered to the advisors personal residence.
4. Auditor noted that currently the ASB Registrar is one of the established approvers, advisor for the girls soccer team, football team and handles the ASB financials and deposits. Because the advisor is involved in multiple matters in regards to the ASB it represents a conflict of interest.
5. Ticket control logs and ticket sales recap forms are not being used by the ASB.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be provided triplicate receipts books or log sheets. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Cash Collection Form should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. Advisors using personal gift cards to purchase items and seeking reimbursement can be seen as the advisor trying to cash out the cards. In addition at no times should items intended for a club or ASB be shipped to an advisor's personal address. Such practice increases the risk of items not being used for the intended purpose.
4. School site and the District should restructure the ASB Registers responsibilities to mitigate the conflict of interest.
5. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.

Coachella Valley High School

Observation

- 1) During our review the ASB's cash receipting procedures, we noted that club advisors are only turning in cash count forms which summarizes the composition of currency denominations being remitted to the bookkeeper. As a result, it appears that the ASB bookkeeper does not have the ability to determine the completeness of the deposits being remitted by club advisors.
- 2) Auditor noted that one out of 15 deposits were untimely, deposit occurred 17 days from initial receipt date.

- 3) Based on our review of the ASB's fundraising procedures, it was noted that two out of 13 did not have actual revenues compared to estimated revenues completed on the Profit & Loss (Revenue Potential Form).
- 4) During testing of disbursements procedures auditor noted that three out of 22 disbursements were not preapproved before commitment was made with the vendors. In addition, Auditor noted that one disbursement exceeded the pre-approved PO amount.

Recommendation

- 1) In order to ensure proper internal controls over the ASB deposits, the site should ensure that all deposits are accompanied with proper supporting documentation. The supporting documentation should be sufficient to ensure that all cash collected by advisors was remitted to the ASB bookkeeper to be deposited.
- 2) Deposits should be made, at minimum, weekly in order 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. District has procedures for the appropriate handling of deposits that are appropriate to the schools. The Site should enforce these guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
- 3) All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potentials form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
- 4) In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Bobby Duke Middle School

Observation

- 1) During our review the ASB's cash receipting procedures, we noted that club advisors are only turning in cash count forms which summarizes the composition of currency denominations being remitted to the bookkeeper. As a result, it appears that the ASB bookkeeper does not have the ability to determine the completeness of the deposits being remitted by club advisors.
- 2) Based on our review of the ASB's fundraising procedures, it was noted that one fundraiser did not have pre-approval before commencement of event.

Recommendation

- 1) In order to ensure proper internal controls over the ASB deposits, the site should ensure that all deposits are accompanied with proper supporting documentation. The supporting documentation should be sufficient to ensure that all cash collected by advisors was remitted to the ASB bookkeeper to be deposited.

- 2) Fundraisings need to be pre-approved in order to determine whether or not it is allowable and beneficial to conduct the event. Approvers need to consider many issues such as student safety, whether these events could interfere with the normal conduct of the schools, or whether the event is appropriate for the education experience of the students.

La Familia Continuation School

Observation

- 1) During our review the ASB's cash receipting procedures, we noted that club advisors are only turning in cash count forms which summarizes the composition of currency denominations being remitted to the bookkeeper. As a result, it appears that the ASB bookkeeper does not have the ability to determine the completeness of the deposits being remitted by club advisors.
- 2) Auditor noted that one deposit was deposited untimely, deposit occurred 15 days from initial receipt date.
- 3) Based on our review of the ASB's fundraising procedures, it was noted that one fundraiser did not have a completed revenue potential form on file.

Recommendation

- 1) In order to ensure proper internal controls over the ASB deposits, the site should ensure that all deposits are accompanied with proper supporting documentation. The supporting documentation should be sufficient to ensure that all cash collected by advisors was remitted to the ASB bookkeeper to be deposited.
- 2) Deposits should be made, at minimum, weekly in order 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. District has procedures for the appropriate handling of deposits that are appropriate to the schools. The Site should enforce these guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
- 3) All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potentials form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser

Cesar Chavez Elementary School

Observation

The following observations were made during our review of the ASB's procedures:

- 1) During our review the ASB's cash receipting procedures, we noted that club advisors are only turning in cash count forms which summarizes the composition of currency denominations being remitted to the bookkeeper. As a result, it appears that the ASB bookkeeper does not have the ability to determine the completeness of the deposits being remitted by club advisors.
- 2) Auditor noted that five of seven deposits were deposited untimely, deposit occurred 14 to 15 days from initial receipt date.
- 3) Auditor noted during review of ticketed events, that site did not complete a ticket sales recap of total tickets sold compared to cash generated.

- 4) Based on our review of the ASB's fundraising procedures, it was noted that one fundraiser did not have a completed revenue potential form on file.
- 5) During testing of disbursements procedures auditor noted that one out of two disbursements were not preapproved before commitment was made with the vendors.

Recommendation

- 1) In order to ensure proper internal controls over the ASB deposits, the site should ensure that all deposits are accompanied with proper supporting documentation. The supporting documentation should be sufficient to ensure that all cash collected by advisors was remitted to the ASB bookkeeper to be deposited.
- 2) Deposits should be made, at minimum, weekly in order 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. District has procedures for the appropriate handling of deposits that are appropriate to the schools. The Site should enforce these guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
- 3) Site should review current forms and determine whether they are adequate in determining that all necessary information is present in order to perform reconciliation. A master ticket log must also be developed noting all ticket stock and all tickets used during each event. In addition, to ensure proper controls over the ASB's ticket sale activities, we recommended that club advisors regularly investigate variances between the expected cash and actual cash collected. Determination of what caused the variance should always be documented.
- 4) All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potentials form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser
- 5) In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Oasis Elementary School

Observations

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

- 1) Out of four deposits tested, none contained sub-receipts, logs, or tickets to support the amount of cash deposited. Adequate receipting procedures are not in place for ASB cash collections.
- 2) Although there have been multiple fundraisers, there are no receipts, logs, tickets, or other relevant receipting documentation to support any cash received.

Recommendations

Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be provided triplicate receipts books or log sheets. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Cash Collection Form should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Valley View Elementary School

Observations

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

- 1) Out of twenty-five deposits tested, none contained sub-receipts, logs, or tickets to support the amount of cash deposited. Adequate receipting procedures are not in place for ASB cash collections.
- 2) During testing of cash disbursements, auditor noted that out of 12 disbursements tested, three did not have approval by authorized personnel before the purchase was made.

Recommendations

- 1) Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and administrators who collect monies should be provided triplicate receipts books or log sheets. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Cash Collection Form should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
- 2) For unorganized ASBs, all disbursements should be pre-approved by authorized personnel. It is recommended that ASB personnel ensure that proper ASB approvals are provided prior to the ordering of goods or services.

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



Rancho Cucamonga, California
December 14, 2017