

**COACHELLA VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2018

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COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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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, 2018, 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 *2017-2018 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedules on pages 77 and 78, schedule of changes in the District's total OPEB liability and related ratios on page 79, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 80, schedule of the District's proportionate share of the net pension liability on page 81, and the schedule of District contributions on page 82, 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 17, 2018, 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 cursive script that reads "Vavrinch, Train, Day & Co., LLP".

Rancho Cucamonga, California
December 17, 2018



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, 2018, with comparative information for June 30, 2017. 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 Funds* 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, 2018

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, 2018

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's FY17-18 deficit spending is coincident with expenditure increases related to negotiations settled in FY16-17. The District identified expenditure cuts in FY17-18 that are projected to temporarily abate its structural deficit with the help of revenue increases announced in the January 2018 California Governor's budget. However, District staff have analyzed future PERs and STRS retirement contribution increases and forecasted that State COLAs will not keep pace with expenditure increases in the District's Multi-Year Projection.

With the announced cessation of California's LCFF Gap Funding increases, District staff are diligently identifying cost optimizations to ensure that the District stays fiscally solvent and able to meet all its current and future financial obligations. The District is committed to maintain a statutorily required 3% Unrestricted Reserve and is formulating plans to build back sufficient reserves in each of the 3 years in its Multi-year Projection.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was (\$8,325,607) for the fiscal year ended June 30, 2018. Of this amount, (\$251,372,336) was unrestricted deficit. Restricted net position is 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	
	2018	2017 as Restated
Assets		
Current and other assets	\$ 161,675,159	\$ 184,510,160
Capital assets	425,817,101	424,401,780
Total Assets	587,492,260	608,911,940
Deferred Outflows of Resources	94,030,295	55,804,599
Liabilities		
Current liabilities	18,216,272	19,892,862
Long-term obligations	408,711,537	410,361,641
Aggregate net pension liability	254,286,281	205,595,954
Total Liabilities	681,214,090	635,850,457
Deferred Inflows of Resources	8,634,072	6,059,300
Net Position		
Net investment in capital assets	210,173,172	202,531,925
Restricted	32,873,557	37,343,821
Unrestricted (Deficit)	(251,372,336)	(217,068,964)
Total Net Position	\$ (8,325,607)	\$ 22,806,782

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 1,313,156	\$ 821,451
Operating grants and contributions	67,049,141	61,703,916
Capital grants and contributions	4,003	7,148
General revenues:		
Federal and State aid not restricted	167,673,532	166,199,230
Property taxes	52,649,058	50,062,478
Other general revenues	3,107,591	4,530,949
Total Revenues	291,796,481	283,325,172
Expenses		
Instruction-related	222,703,731	217,418,032
Pupil services	45,897,947	47,795,516
Administration	15,226,116	16,034,182
Plant services	23,667,245	18,544,296
Other	15,433,831	15,459,784
Total Expenses	322,928,870	315,251,810
Change in Net Position	\$ (31,132,389)	\$ (31,926,638)

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$322,928,870. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$52,649,058 because the cost was paid by those who benefited from the programs \$1,313,156 or by other governments and organizations who subsidized certain programs with grants and contributions (\$67,053,144). We paid for the remaining "public benefit" portion of our governmental activities with \$167,673,532 in Federal and State unrestricted funds and with other revenues, such as interest and general entitlements (\$3,107,591).

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction including, instructional-related activities, pupil services, 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	
	2018	2017	2018	2017
Instruction	\$ 193,250,890	\$ 187,608,435	\$ 154,464,442	\$ 151,540,529
Instruction-related activities	29,452,841	29,809,597	23,577,617	24,138,804
Home-to-school transportation	13,601,712	14,560,345	13,601,712	14,411,943
Food services	16,123,870	18,755,414	2,280,966	5,282,047
Other pupil services	16,172,365	14,479,757	13,616,641	12,234,882
General administration	15,226,116	16,034,182	12,276,931	13,475,989
Plant services	23,667,245	18,544,296	23,562,789	18,333,791
Interest on long-term obligations	14,585,159	13,934,335	14,585,159	13,934,335
Other	848,672	1,525,449	(3,403,687)	(633,025)
Total	\$ 322,928,870	\$ 315,251,810	\$ 254,562,570	\$ 252,719,295

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$146,523,495, which is a decrease of \$19,949,069 from last year.

Table 4

	Fund Balance			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	\$ 23,082,128	\$ 244,966,914	\$ 254,274,331	\$ 13,774,711
Cafeteria Fund	2,710,969	14,522,456	16,209,399	1,024,026
Building Fund	103,562,108	5,359,108	14,016,241	94,904,975
Bond Interest and Redemption Fund	22,548,644	18,276,544	18,831,532	21,993,656
Adult Education Fund	648,783	2,572,612	2,522,163	699,232
Child Development Fund	-	1,992,976	1,992,976	-
Deferred Maintenance Fund	-	386,118	337,709	48,409
Capital Facilities Fund	5,070,253	2,230,889	1,081,860	6,219,282
County School Facilities Fund	348,052	4,002	128,471	223,583
Special Reserve Fund for Capital Outlay Projects	8,221,491	4,658,921	5,564,858	7,315,554
Capital Project Fund for Blended Component Unit	280,136	49,154	9,223	320,067
Total	\$ 166,472,564	\$ 295,019,694	\$ 314,968,763	\$ 146,523,495

The primary reasons for these decreases are:

- The decrease of \$9.3 million in the General Fund was a result of bargaining unit negotiation settlements, transfer of prop 39 energy efficiency funds out of the general fund, and \$0.6 million contribution to Child Development. The decrease of \$1.7 million in Cafeteria Fund was a result of an approved spending plan in personnel and equipment. The decrease of \$8.7 million in the Building Fund resulted from the construction cost of the District Education Complex.

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 2017-2018 Budget, Estimated Actuals, was adopted on June 21, 2018.

Significant revenue revisions made to the 2017-2018 budget were due to changes in various categorical programs.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$425,817,101 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 \$1,415,321, or 0.3 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in process	\$ 105,010,771	\$ 96,275,594
Buildings and improvements	311,824,200	315,097,586
Furniture and equipment	8,982,130	13,028,600
Total	\$ 425,817,101	\$ 424,401,780

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 \$408,711,537 in obligations versus \$410,361,641 last year, a decrease of \$1,650,104, or 0.4 percent. These obligations consisted of:

Table 6

	Governmental Activities	
	2018	2017 as Restated
General obligation bonds, net (Financed with property taxes)	\$ 295,956,566	\$ 302,240,180
Certificates of participation, net	22,386,600	22,519,050
Capital lease	6,669,237	6,720,845
Lease refinancing	17,370,000	18,765,000
OPEB	63,334,195	57,285,394
Other	2,994,939	2,831,172
Total	\$ 408,711,537	\$ 410,361,641

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, 2018

Net Pension Liability (NPL)

The District had an outstanding pension liability of \$254,286,281 and \$205,595,954 at June 30, 2018 and 2017, 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, 2018

	Governmental Activities
ASSETS	
Deposits and investments	\$ 150,967,408
Receivables	10,351,309
Prepaid expenses	16,662
Stores inventories	339,780
Capital assets:	
Land and construction in process	105,010,771
Other capital assets	484,285,012
Less: Accumulated depreciation	(163,478,682)
Total Capital Assets	425,817,101
Total Assets	587,492,260
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	3,646,081
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	1,452,785
Deferred outflows of resources related to pensions	88,931,429
Total Deferred Outflows of Resources	94,030,295
LIABILITIES	
Accounts payable	11,844,050
Accrued interest payable	4,297,458
Unearned revenue	1,585,383
Claims liabilities	489,381
Long-Term Obligations:	
Current portion of long-term obligations other than pensions	11,403,081
Noncurrent portion of long-term obligations other than pensions	397,308,456
Total Long-Term Obligations	408,711,537
Aggregate net pension liability	254,286,281
Total Liabilities	681,214,090
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	8,634,072
NET POSITION	
Net investment in capital assets	210,173,172
Restricted for:	
Debt service	17,696,198
Capital projects	6,442,865
Educational programs	6,197,116
Other activities	2,537,378
Unrestricted (Deficit)	(251,372,336)
Total Net Position	\$ (8,325,607)

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, 2018

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	\$ 193,250,890	\$ 24,523	\$ 38,757,922	\$ 4,003	\$ (154,464,442)
Instruction-related activities:					
Supervision of instruction	5,543,300	21	2,276,999	-	(3,266,280)
Instructional library, media, and technology	5,481	-	188	-	(5,293)
School site administration	23,904,060	16	3,598,000	-	(20,306,044)
Pupil services:					
Home-to-school transportation	13,601,712	-	-	-	(13,601,712)
Food services	16,123,870	74,823	13,768,081	-	(2,280,966)
All other pupil services	16,172,365	-	2,555,724	-	(13,616,641)
General administration:					
Data processing	3,553,624	-	-	-	(3,553,624)
All other general administration	11,672,492	4,153	2,945,032	-	(8,723,307)
Plant services	23,667,245	3,952	100,504	-	(23,562,789)
Enterprise services	1,493	-	-	-	(1,493)
Interest on long-term obligations	14,585,159	-	-	-	(14,585,159)
Other outgo	847,179	1,205,668	3,046,691	-	3,405,180
Total Governmental Activities	\$ 322,928,870	\$ 1,313,156	\$ 67,049,141	\$ 4,003	(254,562,570)
General Revenues and Subventions:					
					29,975,533
Property taxes, levied for general purposes					18,103,065
Property taxes, levied for debt service					4,570,460
Taxes levied for other specific purposes					167,673,532
Federal and State aid not restricted to specific purposes					274,771
Interest and investment earnings					2,832,820
Miscellaneous					
Subtotal, General Revenues					223,430,181
Change in Net Position					(31,132,389)
Net Position - Beginning, as Restated					22,806,782
Net Position - Ending					\$ (8,325,607)

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	\$ 16,304,935	\$ 522,329	\$ 95,534,643
Receivables	7,520,758	1,673,828	436,530
Due from other funds	1,831,574	108,849	92,198
Prepaid expenditures	16,662	-	-
Stores inventories	16,081	323,699	-
Total Assets	\$ 25,690,010	\$2,628,705	\$ 96,063,371
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,305,361	\$ 67,449	\$ 1,158,396
Due to other funds	114,555	1,447,230	-
Unearned revenue	1,495,383	90,000	-
Total Liabilities	11,915,299	1,604,679	1,158,396
Fund Balances:			
Nonspendable	82,743	325,724	-
Restricted	6,197,116	698,302	94,904,975
Assigned	-	-	-
Unassigned	7,494,852	-	-
Total Fund Balances	13,774,711	1,024,026	94,904,975
Total Liabilities and Fund Balances	\$ 25,690,010	\$2,628,705	\$ 96,063,371

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 21,993,656	\$ 14,621,207	\$ 148,976,770
-	710,821	10,341,937
-	15,593	2,048,214
-	-	16,662
-	-	339,780
<u>\$ 21,993,656</u>	<u>\$ 15,347,621</u>	<u>\$ 161,723,363</u>
\$ -	\$ 25,524	\$ 11,556,730
-	495,970	2,057,755
-	-	1,585,383
<u>-</u>	<u>521,494</u>	<u>15,199,868</u>
-	-	408,467
21,993,656	7,369,158	131,163,207
-	7,456,969	7,456,969
-	-	7,494,852
<u>21,993,656</u>	<u>14,826,127</u>	<u>146,523,495</u>
<u>\$ 21,993,656</u>	<u>\$ 15,347,621</u>	<u>\$ 161,723,363</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total Fund Balance - Governmental Funds **\$ 146,523,495**

**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:	\$ 589,295,783	
Accumulated depreciation is:	<u>(163,478,682)</u>	
Net Capital Assets		425,817,101

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities. 3,646,081

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. (4,297,458)

An Internal Service Fund is used by the District's management to charge the costs of the dental and vision insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net position is: 1,232,850

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	22,097,452	
Net change in proportionate share of net pension liability	16,591,139	
Difference between projected and actual earnings on pension plan investments	2,756,092	
Difference between expected and actual experience in the measurement of the total pension liability	3,500,046	
Changes of assumption	<u>43,986,700</u>	
Total Deferred Outflows of Resources Related to Pensions		88,931,429

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, 2018

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:

Difference between projected and actual earnings on pension plan investments	\$ (4,650,477)	
Difference between expected and actual experience in the measurement of the total pension liability	(3,045,561)	
Change of assumptions	<u>(938,034)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (8,634,072)

Deferred outflows of resources related to OPEB 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 OPEB at year-end consist of OPEB contributions subsequent to measurement date.

1,452,785

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

(254,286,281)

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	254,988,841
Unamortized premium on general obligation bonds	13,100,371
Certificates of participation	21,665,000
Unamortized premium on certificates of participation	721,603
Capital lease obligations	6,669,237
Compensated absences	2,994,939
2012 Lease refunding	9,730,000
2013 Lease refunding	7,640,000
Net other postemployment benefits (OPEB) liability	63,334,195

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

27,867,351

Total Long-Term Obligations

(408,711,537)

Total Net Position - Governmental Activities

\$ (8,325,607)

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, 2018

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local Control Funding Formula	\$ 191,395,507	\$ -	\$ -
Federal sources	22,994,414	13,453,470	-
Other State sources	23,270,708	838,338	-
Other local sources	7,306,285	118,688	1,426,660
Total Revenues	244,966,914	14,410,496	1,426,660
EXPENDITURES			
Current			
Instruction	160,680,359	-	-
Instruction-related activities:			
Supervision of instruction	4,927,435	-	-
Instructional library, media, and technology	3,432	-	-
School site administration	21,062,440	-	-
Pupil services:			
Home-to-school transportation	12,825,481	-	-
Food services	88,658	15,456,848	-
All other pupil services	14,283,046	-	-
General administration:			
Data processing	3,355,016	-	-
All other general administration	10,070,078	737,011	-
Plant services	20,872,788	15,540	1,108,527
Other outgo	837,956	-	-
Enterprise services	1,455	-	-
Facility acquisition and construction	103,543	-	12,907,714
Debt service			
Principal	51,608	-	-
Interest and other	235,013	-	-
Total Expenditures	249,398,308	16,209,399	14,016,241
Deficiency of Revenues			
Over Expenditures	(4,431,394)	(1,798,903)	(12,589,581)
Other Financing Sources (Uses):			
Transfers in	-	111,960	3,932,448
Transfers out	(4,876,023)	-	-
Net Financing Sources (Uses)	(4,876,023)	111,960	3,932,448
NET CHANGE IN FUND BALANCES	(9,307,417)	(1,686,943)	(8,657,133)
Fund Balances - Beginning	23,082,128	2,710,969	103,562,108
Fund Balances - Ending	\$ 13,774,711	\$ 1,024,026	\$ 94,904,975

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 191,395,507
-	514,414	36,962,298
82,700	3,422,057	27,613,803
18,193,844	7,014,626	34,060,103
18,276,544	10,951,097	290,031,711
-	3,378,100	164,058,459
-	204,188	5,131,623
-	-	3,432
-	454,795	21,517,235
-	-	12,825,481
-	-	15,545,506
-	153,193	14,436,239
-	-	3,355,016
-	257,963	11,065,052
-	66,900	22,063,755
-	9,223	847,179
-	-	1,455
-	3,780,248	16,791,505
9,745,000	1,485,000	11,281,608
9,086,532	1,735,690	11,057,235
18,831,532	11,525,300	309,980,780
(554,988)	(574,203)	(19,949,069)
-	943,575	4,987,983
-	(111,960)	(4,987,983)
-	831,615	-
(554,988)	257,412	(19,949,069)
22,548,644	14,568,715	166,472,564
\$ 21,993,656	\$ 14,826,127	\$ 146,523,495

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, 2018

Total Net Change in Fund Balances - Governmental Funds **\$ (19,949,069)**

**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	\$ 16,596,657	
Depreciation expense	<u>(15,140,390)</u>	
Net Expense Adjustment		1,456,267

Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds. (40,946)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) 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). Vacation earned was more than the amounts used by \$163,767. (163,767)

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. (14,222,348)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (4,596,016)

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, 2018

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	\$	9,745,000
Certificates of participation		90,000
Capital lease obligations		51,608
Lease refinancing		1,395,000

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	\$	758,865	
Amortization of deferred amount on refunding		<u>(269,840)</u>	
Combined Adjustment			489,025

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 decreased by \$160,852, and second, \$4,177,801 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(4,016,949)

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.

(1,370,194)

Change in Net Position of Governmental Activities

\$ (31,132,389)

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 1,990,638
Receivables	9,372
Due from other funds	9,541
Total Current Assets	2,009,551
LIABILITIES	
Current Liabilities	
Accounts payable	287,320
Claim liability	489,381
Total Current Liabilities	776,701
NET POSITION	
Restricted	\$ 1,232,850

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, 2018

	Governmental Activities - Internal Service Fund
	<hr/>
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	<hr/> \$ 5,182,477
OPERATING EXPENSES	
Professional and contract services	<hr/> 6,584,578
Operating Loss	<hr/> (1,402,101)
NONOPERATING REVENUES	
Interest income	<hr/> 31,907
Change in Net Position	(1,370,194)
Total Net Position - Beginning	<hr/> 2,603,044
Total Net Position - Ending	<hr/> \$ 1,232,850 <hr/>

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, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 5,219,906
Cash payments to suppliers for goods and services	(5,807,877)
Net Cash Used in Operating Activities	<u>(587,971)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>31,907</u>
Net Decrease in Cash and Cash Equivalents	(556,064)
Cash and Cash Equivalents - Beginning	2,546,702
Cash and Cash Equivalents - Ending	<u><u>\$ 1,990,638</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Loss	\$ (1,402,101)
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities:	
Receivables	(3,374)
Due from other fund	42,513
Accounts payable	287,320
Due to other fund	(1,710)
Claim liabilities	489,381
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (587,971)</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, 2018

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 674,392
	<u> </u>
LIABILITIES	
Due to student groups	\$ 674,392
	<u> </u>

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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.

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).

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 used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. 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 that are restricted or committed 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 financial resources to be used for 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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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

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, 2018

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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, 2018, 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, 2018

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, 2018

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, for pension related items, and for OPEB related items.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2018, 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. The District does not have any committed fund balances.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

In fiscal year 2017-2018, 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.

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 \$32,873,557.

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 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District has implemented the provisions of this Statement as of June 30, 2018.

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;

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2018

- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- 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; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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 District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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.

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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 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.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 150,967,408
Fiduciary funds	674,392
Total Deposits and Investments	<u>\$ 151,641,800</u>

Deposits and investments as of June 30, 2018, consisted of the following:

Cash on hand and in banks	\$ 1,034,012
Cash in revolving	52,025
Cash collection awaiting deposit	96,966
Investments	150,458,797
Total Deposits and Investments	<u>\$ 151,641,800</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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018

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	<u>\$ 150,458,797</u>	427

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, the District's bank balance of \$1,001,199 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, 2018

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, 2018:

Investment Type	Reported Amount	Uncategorized
Riverside County Treasury Investment Pool	\$ 150,458,797	\$ 150,458,797

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	\$ 4,323,004	\$ 1,544,231	\$ -	\$ 359,641	\$ -	\$ 6,226,876
State Government						
Categorical aid	538,856	108,350	-	284,416	-	931,622
Lottery	704,940	-	-	-	-	704,940
Special Education	1,033,376	-	-	-	-	1,033,376
Local Government						
Interest	-	4,096	436,530	57,893	9,372	507,891
Other Local Sources	920,582	17,151	-	8,871	-	946,604
Total	<u>\$ 7,520,758</u>	<u>\$ 1,673,828</u>	<u>\$ 436,530</u>	<u>\$ 710,821</u>	<u>\$ 9,372</u>	<u>\$ 10,351,309</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 35,580,408	\$ 7,100	\$ -	\$ 35,587,508
Construction in process	60,695,186	14,842,739	6,114,662	69,423,263
Total Capital Assets Not Being Depreciated	96,275,594	14,849,839	6,114,662	105,010,771
Capital Assets Being Depreciated				
Land improvements	55,174,540	1,736,947	-	56,911,487
Buildings and improvements	375,532,639	5,942,254	-	381,474,893
Furniture and equipment	46,036,417	182,279	320,064	45,898,632
Total Capital Assets Being Depreciated	476,743,596	7,861,480	320,064	484,285,012
Less Accumulated Depreciation				
Land improvements	14,851,840	2,757,659	-	17,609,499
Buildings and improvements	100,757,753	8,194,928	-	108,952,681
Furniture and equipment	33,007,817	4,187,803	279,118	36,916,502
Total Accumulated Depreciation Governmental Activities	148,617,410	15,140,390	279,118	163,478,682
Capital Assets, Net	\$ 424,401,780	\$ 7,570,929	\$ 6,155,608	\$ 425,817,101

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 13,626,350
Home-to-school transportation	454,212
All other pupil services	605,616
Plant services	454,212
Total Depreciation Expenses Governmental Activities	<u>\$ 15,140,390</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2018, between major funds, non-major governmental funds and internal service funds are as follows:

Due To	Due From			Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,437,689	\$ 393,885	\$ 1,831,574
Cafeteria Fund	6,764		102,085	108,849
Building Fund	92,198	-	-	92,198
Non-Major Governmental Funds	15,593	-	-	15,593
Internal Service Fund	-	9,541	-	9,541
Total	<u>\$ 114,555</u>	<u>\$ 1,447,230</u>	<u>\$ 495,970</u>	<u>\$ 2,057,755</u>

A balance for \$737,689 is due to the General Fund from the Cafeteria Fund for the reimbursement of payroll and indirect costs.

A balance for \$700,000 is due to the General Fund from the Cafeteria Fund for repayment of a temporary loan.

A balance of \$272,110 is due to the General Fund from the Child Development Non-Major Fund for the reimbursement of operating and indirect costs.

A balance of \$121,775 is due to the General Fund from the Adult Education Non-Major Governmental Fund for the reimbursement of operating and indirect costs.

A balance of \$102,085 is due to the Cafeteria Fund from the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for the unallowable capital outlay expenses.

A balance of \$92,198 is due to the Building Fund from the General Fund for the reimbursement of Climatec project.

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Cafeteria Fund	\$ -	\$ 111,960	\$ 111,960
Building Fund	3,932,448	-	3,932,448
Non-Major Governmental Funds	943,575	-	943,575
Total	<u>\$ 4,876,023</u>	<u>\$ 111,960</u>	<u>\$ 4,987,983</u>

The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions.	\$ 559,626
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance projects.	383,949
The General Fund transferred to the Building Fund for Proposition 39 revenues.	3,932,448
The Special Reserve Capital Outlay Projects Non-Major Fund transferred to the Cafeteria Fund for the unallowed capital outlay expenses.	111,960
Total	<u>\$ 4,987,983</u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
LCFF apportionment	\$ 6,573,510	\$ -	\$ -	\$ -	\$ -	\$ 6,573,510
Salaries and benefits	1,160,460	54,277	-	10,224	-	1,224,961
Supplies	226,989	3,845	-	152	-	230,986
Services	1,750,823	6,063	23,150	9,248	287,320	2,076,604
Capital Outlay	4,402	-	1,135,246	5,900	-	1,145,548
Due to RCOE	519,644	-	-	-	-	519,644
Other	69,533	3,264	-	-	-	72,797
Total	<u>\$ 10,305,361</u>	<u>\$ 67,449</u>	<u>\$ 1,158,396</u>	<u>\$ 25,524</u>	<u>\$ 287,320</u>	<u>\$ 11,844,050</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Cafeteria Fund	Total Governmental Activities
Federal financial assistance	\$ 49,785	\$ 90,000	\$ 139,785
State categorical aid	1,445,598	-	1,445,598
Total	<u>\$ 1,495,383</u>	<u>\$ 90,000</u>	<u>\$ 1,585,383</u>

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, 2017 as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 288,423,391	\$ 4,177,801	\$ 9,745,000	\$ 282,856,192	\$ 9,930,000
Premium on issuance	13,816,792	-	716,418	13,100,374	-
Certificates of participation	21,755,000	-	90,000	21,665,000	395,000
Premium on issuance	764,047	-	42,447	721,600	-
Capital leases	6,720,845	-	51,608	6,669,237	108,081
Accumulated vacation - net	2,831,172	163,767	-	2,994,939	-
2012 Lease refinancing	10,275,000	-	545,000	9,730,000	570,000
2013 Lease refinancing	8,490,000	-	850,000	7,640,000	400,000
Other postemployment benefits (OPEB)	57,285,394	7,383,400	1,334,599	63,334,195	-
	<u>\$ 410,361,641</u>	<u>\$ 11,724,968</u>	<u>\$ 13,375,072</u>	<u>\$ 408,711,537</u>	<u>\$ 11,403,081</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. Other postemployment benefits are generally paid by the General Fund.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2017				June 30, 2018
1997 Series B	8/1/98	8/1/23	3.70-5.28%	\$ 9,999,278	\$ 10,276,361	\$ -	\$ 506,903	\$ 1,350,000	\$ 9,433,264
2005 Series A	8/19/05	8/1/30	3.00-5.09%	49,998,180	1,522,052	-	78,458	-	1,600,510
2005 Series B	2/7/07	8/1/31	4.00-5.00%	30,000,000	475,000	-	-	475,000	-
2005 Series C	5/12/10	8/1/43	6.82-10.51%	24,990,463	39,459,770	-	2,808,247	-	42,268,017
2010 Refunding	5/12/10	8/1/22	2.75-4.50%	6,560,000	3,580,000	-	-	560,000	3,020,000
2005 Series D	7/12/12	8/1/43	3.00-5.97%	54,999,882	56,925,208	-	784,193	-	57,709,401
2012 Series A	4/25/13	8/1/28	0.91-3.55%	20,255,000	16,045,000	-	-	1,700,000	14,345,000
2014 Refunding	1/23/14	8/1/28	1.50-5.00%	38,145,000	35,590,000	-	-	2,370,000	33,220,000
2014 Refunding Series B	7/14/14	8/1/30	2.00-5.00%	17,455,000	17,270,000	-	-	90,000	17,180,000
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	11,405,000	-	-	-	11,405,000
2005, Series E	6/2/16	8/1/45	2.00-4.00%	39,680,000	39,680,000	-	-	3,200,000	36,480,000
2005, Series F	10/25/16	8/1/46	3.00-5.00	50,330,000	50,330,000	-	-	-	50,330,000
					<u>\$ 288,423,391</u>	<u>\$ -</u>	<u>\$ 4,177,801</u>	<u>\$ 9,745,000</u>	<u>\$ 282,856,192</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, 2018, the principal outstanding was \$9,433,264.

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, 2018, the principal balance outstanding was \$1,600,510.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, the bonds were fully defeased.

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, 2018, the principal balance outstanding was \$42,268,017. Unamortized premium received on issuance of the bonds amounted to \$1,131,526.

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, 2018, the principal balance outstanding was \$3,020,000. Unamortized premium received on issuance of the bonds amounted to \$42,084.

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, 2018, the principal balance outstanding was \$57,709,401. Unamortized premium received on issuance of the bonds amounted to \$2,186,673.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, the principal balance outstanding was \$14,345,000.

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, 2018, the principal balance outstanding was \$33,220,000. Unamortized premium received on issuance of the bonds amounted to \$1,734,549.

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, 2018, the principal balance outstanding was \$17,180,000. Unamortized premium on issuance and deferred amount on refunding were \$1,114,396 and \$1,270,565, 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, 2018, the principal balance outstanding was \$5,865,000.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, the principal balance outstanding was \$11,405,000. Unamortized premium on issuance and deferred amount on refunding were \$440,572 and \$754,970, 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, 2018, the principal balance outstanding was \$36,480,000. Unamortized premium received on issuance of the bonds amounted to \$2,502,050.

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 represent 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, 2018, the principal balance outstanding was \$50,330,000 and unamortized premium on issuance was \$3,948,534.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest to Maturity</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2019	\$ 9,899,205	\$ 30,795	\$ 8,823,553	\$ 18,753,553
2020	6,960,127	109,873	8,587,021	15,657,021
2021	8,737,563	197,437	8,349,288	17,284,288
2022	9,449,026	290,974	8,061,997	17,801,997
2023	9,904,862	580,138	7,764,264	18,249,264
2024-2028	42,880,493	5,649,507	34,453,171	82,983,171
2029-2033	44,108,425	14,021,575	26,719,364	84,849,364
2034-2038	45,099,859	32,095,141	20,268,156	97,463,156
2039-2043	22,077,114	54,697,886	15,987,822	92,762,822
2044-2045	83,739,518	36,375,482	7,835,838	127,950,838
Total	<u>\$ 282,856,192</u>	<u>\$ 144,048,808</u>	<u>\$ 146,850,474</u>	<u>\$ 573,755,474</u>

Certificates of Participation

The outstanding Certificates of Participation debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2017</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2018</u>
8/21/14	9/1/36	2.00%-5.00%	<u>\$ 21,915,000</u>	<u>\$ 21,755,000</u>	<u>\$ 90,000</u>	<u>\$ 21,665,000</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, the principal balance outstanding was \$21,665,000. Unamortized premium on issuance and deferred amount on refunding were \$721,600 and \$1,620,546, respectively.

Year Ending June 30,	Principal	Interest	Total
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	840,000	782,050	1,622,050
2024-2028	4,345,000	3,327,900	7,672,900
2029-2033	7,955,000	2,213,250	10,168,250
2034-2038	6,105,000	506,900	6,611,900
Total	<u>\$ 21,665,000</u>	<u>\$ 10,270,975</u>	<u>\$ 31,935,975</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, 2017	\$ 9,057,698
Payments	(286,620)
Balance, June 30, 2018	<u>\$ 8,771,078</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	\$ 340,806
2020	396,819
2021	454,717
2022	498,549
2023	531,256
2024-2028	3,361,807
2029-2033	3,187,124
Total	8,771,078
Less: Amount Representing Interest	(2,101,841)
Present Value of Minimum Lease Payments	<u>\$ 6,669,237</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$2,994,939.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2018, the principal balance outstanding was \$9,730,000.

The lease refinancing repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
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	690,000	355,500	1,045,500
2024-2028	6,590,000	849,750	7,439,750
Total	<u>\$ 9,730,000</u>	<u>\$ 2,944,750</u>	<u>\$ 12,674,750</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, 2018, the principal balance outstanding was \$7,640,000.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The repayment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
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	505,000	244,331	749,331
2024-2028	2,875,000	880,526	3,755,526
2029-2033	2,760,000	234,683	2,994,683
Total	<u>\$ 7,640,000</u>	<u>\$ 2,507,015</u>	<u>\$ 10,147,015</u>

Net Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 61,896,077	\$ 1,452,785	\$ 6,055,141
Medicare Premium Payment (MPP) Program	1,438,118	-	(6,340)
Total	<u>\$ 63,334,195</u>	<u>\$ 1,452,785</u>	<u>\$ 6,048,801</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	67
Active employees	1,777
	<u>1,844</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$1,328,259 to the Plan, all of which was used for current premiums

Total OPEB Liability of the District

The District's total OPEB liability of \$61,896,077 was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	4.00 percent for 2017

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 55,840,936
Service cost	5,360,975
Interest	2,022,425
Benefit payments	(1,328,259)
Net change in total OPEB liability	6,055,141
Balance at June 30, 2017	<u>\$ 61,896,077</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (2.50%)	\$ 41,873,867
Current discount rate (3.50%)	61,896,077
1% increase (4.50%)	86,389,282

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	\$ 66,621,885
Current healthcare cost trend rate (4.00%)	61,896,077
1% increase (5.00%)	57,422,625

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$6,055,141. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$1,452,785.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$1,438,118 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.3418 percent, and 0.3086 percent, resulting in a(n) net increase in the proportionate share of 0.0332 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of (\$6,340).

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB 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 OPEB Liability
1% decrease (2.58%)	\$ 1,592,097
Current discount rate (3.58%)	1,438,118
1% increase (4.58%)	1,288,341

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,299,560
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,438,118
1% increase (4.7% Part A and 5.1% Part B)	1,575,293

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 50,000	\$ 2,025	\$ -	\$ -	\$ -	\$ 52,025
Stores inventories	16,081	323,699	-	-	-	339,780
Prepaid expenditures	16,662		-	-	-	16,662
Total Nonspendable	82,743	325,724	-	-	-	408,467
Restricted						
Legally restricted programs	6,197,116	698,302	-	-	606,226	7,501,644
Capital projects	-		94,904,975	-	6,762,932	101,667,907
Debt services	-		-	21,993,656	-	21,993,656
Total Restricted	6,197,116	698,302	94,904,975	21,993,656	7,369,158	131,163,207
Assigned						
Capital projects	-	-	-	-	7,315,554	7,315,554
Deferred maintenance projects	-	-	-	-	48,409	48,409
Adult Education	-	-	-	-	93,006	93,006
Total Assigned	-	-	-	-	7,456,969	7,456,969
Unassigned	7,494,852		-		-	7,494,852
Total	<u>\$ 13,774,711</u>	<u>\$ 1,024,026</u>	<u>\$ 94,904,975</u>	<u>\$ 21,993,656</u>	<u>\$ 14,826,127</u>	<u>\$ 146,523,495</u>

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the fiscal year ending June 30, 2018, 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 2018, 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.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, 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:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 174,614,705	\$ 60,660,874	\$ 7,696,038	\$ 20,035,431
CalPERS	79,671,576	28,270,555	938,034	16,284,369
Total	<u>\$ 254,286,281</u>	<u>\$ 88,931,429</u>	<u>\$ 8,634,072</u>	<u>\$ 36,319,800</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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, 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	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

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, 2018, are presented above and the District's total contributions were \$15,113,047.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

At June 30, 2018, 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	\$ 174,614,705
State's proportionate share of the net pension liability associated with the District	103,300,584
Total	<u>\$ 277,915,289</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.1888 percent and 0.1735 percent, resulting in a net increase in the proportionate share of 0.0135 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$20,035,431. In addition, the District recognized pension expense and revenue of \$10,398,196 for support provided by the State. At June 30, 2018, 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	\$ 15,113,047	\$ -
Net change in proportionate share of net pension liability	12,552,672	-
Difference between projected and actual earnings on pension plan investments	-	4,650,477
Differences between expected and actual experience in the measurement of the total pension liability	645,742	3,045,561
Changes of assumptions	32,349,413	-
Total	<u>\$ 60,660,874</u>	<u>\$ 7,696,038</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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
2019	\$ (3,866,113)
2020	2,925,507
2021	421,840
2022	(4,131,711)
Total	<u>\$ (4,650,477)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 7,113,861
2020	7,113,861
2021	7,113,861
2022	7,113,862
2023	6,879,968
Thereafter	7,166,853
Total	<u>\$ 42,502,266</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	\$ 256,389,822
Current discount rate (7.10%)	174,614,705
1% increase (8.10%)	108,248,655

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publicly 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, 2018

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, 2018, 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%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above and the total District contributions were \$6,984,405.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$79,671,576. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.3337 percent and 0.3303 percent, resulting in a net increase in the proportionate share of 0.0034 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$16,284,369. At June 30, 2018, 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	\$ 6,984,405	\$ -
Net change in proportionate share of net pension liability	4,038,467	-
Difference between projected and actual earnings on pension plan investments	2,756,092	-
Differences between expected and actual experience in the measurement of the total pension liability	2,854,304	-
Changes of assumptions	11,637,287	938,034
Total	<u>\$ 28,270,555</u>	<u>\$ 938,034</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
2019	\$ (74,681)
2020	3,179,932
2021	1,160,076
2022	(1,509,235)
Total	<u>\$ 2,756,092</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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
2019	\$ 7,201,637
2020	6,235,687
2021	4,154,700
Total	<u>\$ 17,592,024</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	\$ 117,222,419
Current discount rate (7.15%)	79,671,576
1% increase (8.15%)	48,520,007

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$111,619, which was 3.75 percent of its current year covered payroll. Employees required and actual contributions amounted to \$111,619, 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 \$8,624,387 (9.328 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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Construction Commitments

As of June 30, 2018, 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 2	\$ 11,667,915	June 30, 2019
New Palm View Elementary	42,510,643	August 31, 2020
North Shore Elementary	35,657,708	August 31, 2020
	<u>\$ 89,836,266</u>	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Insurance Authority (RSIA) and the Riverside Schools Risk Management Authority (RSRMA) public entity risk pools. The District pays an annual premium to each entity for its workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$1,362,728 and \$6,145,810 to RSIA and RSRMA, respectively, for services received.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	\$ 58,904,629
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(36,097,847)
Net Position - Beginning as Restated	<u>\$ 22,806,782</u>

REQUIRED SUPPLEMENTARY INFORMATION

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
REVENUES				
Local Control Funding Formula	\$ 192,557,825	\$ 191,846,948	\$ 191,395,507	\$ (451,441)
Federal sources	22,905,899	24,459,891	22,994,414	(1,465,477)
Other State sources	11,922,391	23,066,716	23,270,708	203,992
Other local sources	6,164,821	6,419,135	7,306,285	887,150
Total Revenues	233,550,936	245,792,690	244,966,914	(825,776)
EXPENDITURES				
Current				
Certificated salaries	103,257,062	105,753,096	106,214,242	(461,146)
Classified salaries	38,223,523	41,152,755	42,439,291	(1,286,536)
Employee benefits	65,468,836	71,472,600	72,422,102	(949,502)
Books and supplies	7,546,046	8,668,638	6,607,684	2,060,954
Services and operating expenditures	20,764,730	22,960,756	21,481,539	1,479,217
Capital outlay	781,649	713,052	103,846	609,206
Other outgo	59,389	129,902	129,604	298
Total Expenditures	236,101,235	250,850,799	249,398,308	1,452,491
Deficiency of Revenues Over Expenditures	(2,550,299)	(5,058,109)	(4,431,394)	626,715
Other Financing Sources (Uses):				
Transfers in	-	44,063	-	(44,063)
Transfers out	(681,782)	(4,950,044)	(4,876,023)	74,021
Net Financing Sources (Uses)	(681,782)	(4,905,981)	(4,876,023)	29,958
NET CHANGE IN FUND BALANCE	(3,232,081)	(9,964,090)	(9,307,417)	656,673
Fund Balance - Beginning	23,082,128	23,082,128	23,082,128	-
Fund Balance - Ending	\$ 19,850,047	\$ 13,118,038	\$ 13,774,711	\$ 656,673

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

CAFETERIA FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Federal sources	\$ 13,659,853	\$ 13,540,090	\$ 13,453,470	\$ (86,620)
Other State sources	973,606	814,764	838,338	23,574
Other local sources	70,600	125,600	118,688	(6,912)
Total Revenues	14,704,059	14,480,454	14,410,496	(69,958)
EXPENDITURES				
Current				
Classified salaries	5,445,735	5,426,826	5,571,973	(145,147)
Employee benefits	3,577,990	3,574,534	3,548,501	26,033
Books and supplies	4,353,736	5,124,238	6,128,483	(1,004,245)
Services and operating expenditures	220,500	43,212	172,959	(129,747)
Capital outlay	250,458	50,472	50,472	-
Other outgo	703,790	634,410	737,011	(102,601)
Total Expenditures	14,552,209	14,853,692	16,209,399	(1,355,707)
Deficiency of Revenues Over Expenditures	151,850	(373,238)	(1,798,903)	(1,425,665)
Other Financing Sources (Uses):				
Transfers in	-	-	111,960	111,960
NET CHANGE IN FUND BALANCE	151,850	(373,238)	(1,686,943)	(1,313,705)
Fund Balance - Beginning	2,710,969	2,710,969	2,710,969	-
Fund Balance - Ending	\$ 2,862,819	\$ 2,337,731	\$ 1,024,026	\$ (1,313,705)

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 5,360,975
Interest	2,022,425
Benefit payments	(1,328,259)
Net change in total OPEB liability	6,055,141
Total OPEB liability - beginning	55,840,936
Total OPEB liability - ending	<u>\$ 61,896,077</u>
 Covered payroll	 <u>N/A¹</u>
 District's total OPEB liability as a percentage of covered payroll	 <u>N/A¹</u>

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.3418%</u>
District's proportionate share of the net OPEB liability	<u>\$ 1,438,118</u>
District's covered-employee payroll	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

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, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1888%	0.1735%
District's proportionate share of the net pension liability	\$ 174,614,705	\$ 140,359,988
State's proportionate share of the net pension liability associated with the District	103,300,584	79,904,437
Total	\$ 277,915,289	\$ 220,264,425
District's covered - employee payroll	\$ 101,146,741	\$ 87,381,314
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	172.64%	160.63%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.3337%	0.3303%
District's proportionate share of the net pension liability	\$ 79,671,576	\$ 65,235,966
District's covered - employee payroll	\$ 42,341,706	\$ 39,568,996
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	188.16%	164.87%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.1732%</u>	<u>0.1675%</u>
\$ 116,584,701	\$ 94,892,874
<u>61,660,455</u>	<u>59,111,944</u>
<u>\$ 178,245,156</u>	<u>\$ 154,004,818</u>
<u>\$ 81,010,529</u>	<u>\$ 75,059,672</u>
<u>143.91%</u>	<u>126.42%</u>
<u>74%</u>	<u>77%</u>
<u>0.2932%</u>	<u>0.2690%</u>
<u>\$ 43,216,585</u>	<u>\$ 30,537,951</u>
<u>\$ 32,507,451</u>	<u>\$ 28,274,050</u>
<u>132.94%</u>	<u>108.01%</u>
<u>79%</u>	<u>83%</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	\$ 15,113,047	\$ 12,724,260
Contributions in relation to the contractually required contribution	(15,113,047)	(12,724,260)
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 104,733,520	\$ 101,146,741
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	\$ 6,984,405	\$ 5,881,263
Contributions in relation to the contractually required contribution	(6,984,405)	(5,881,263)
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 44,970,736	\$ 42,341,706
Contributions as a percentage of covered - employee payroll	15.53%	13.89%

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

<u>2016</u>	<u>2015</u>
\$ 9,376,015	\$ 7,193,735
<u>(9,376,015)</u>	<u>(7,193,735)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>\$ 87,381,314</u>	<u>\$ 81,010,529</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 4,688,926	\$ 3,826,127
<u>(4,688,926)</u>	<u>(3,826,127)</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>\$ 39,568,996</u>	<u>\$ 32,507,451</u>
<u>11.85%</u>	<u>11.77%</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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.

At June 30, 2018, the District's major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Cafeteria Fund	<u>\$ 14,853,692</u>	<u>\$ 16,209,399</u>	<u>\$ 1,355,707</u>

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. 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.

Changes of Assumptions – There were no changes in economic assumptions.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 valuations for both CalSTRS and CalPERS.

Changes of Assumptions – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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, 2018

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]	\$ 16,877
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States			
Adult Basic Education & ELA	84.002A	14508	125,244
Adult Secondary Education	84.002A	13978	267,688
English Literacy & Civics Education	84.002A	14109	86,718
Subtotal for Adult Education - Basic Grants to States			479,650
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	11,823,953
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement	84.330	14831	9,109
Title II, Part A, Supporting Effective Instruction	84.367	14341	1,207,013
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	69,350
CCDF Race to the Top - Early Learning Challenge	84.412	15181	34,764
English Language Acquisition State Grants			
Title III, Immigrant Education Program	84.365	15146	29,078
Title III, English Learner Student Program	84.365	14346	1,133,707
Subtotal for English Language Acquisition State Grants			1,162,785
Carl D. Perkins Career and Technical Education - Secondary, Section 131	84.048	14894	224,830
Passed through Riverside County Office of Education:			
Migrant Education State Grants Program			
Title I, Part C - Migrant Education	84.011	14326	1,107,945
Title I, Part C - Migrant Education Summer Program	84.011	10005	358,320
Subtotal for Migrant Education State Grants Program			1,466,265
Passed through Riverside County SELPA:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,586,017
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	186,015
Mental Health ADA Allowance, Part B, Section 611	84.027A	15197	113,717
Preschool Staff Development	84.173A	13431	516
Passed through CDE:			
Supporting Inclusive Practices	84.027A	13693	20,308
Subtotal for Special Education Cluster (IDEA)			2,906,573
Total U.S. Department of Education			19,401,169

[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, 2018

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	\$ 2,175,526
National School Lunch Program	10.555	13396	7,889,728
Meal Supplements	10.555	13392	125,960
Food Distribution	10.555	13396	1,383,619
Summer Food Service Program Operations	10.559	13004	163,965
Subtotal for Child Nutrition Cluster			<u>11,738,798</u>
Child and Adult Care Food Program	10.558	13666	<u>1,714,672</u>
Total U.S. Department of Agriculture			<u>13,453,470</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	460,096
Passed through Riverside County Treasurer:			
Medical Administrative Activities Program	93.778	10060	<u>68,327</u>
Subtotal for Medi-Cal Assistance Program			<u>528,423</u>
Passed through Riverside County Office of Education [2]:			
Head Start:			
Head Start	93.600	10016	<u>3,058,076</u>
Subtotal for Head Start			<u>3,058,076</u>
Total U.S. Department of Health and Human Services			<u>3,586,499</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through CDE:			
AmeriCorps	94.006	10043	<u>674,208</u>
Total Expenditures of Federal Awards			<u>\$ 37,115,346</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, 2018

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
Silvia Paz	Member	2018
Jesus Gonzales	Member	2020
Maria G. Machuca	Member	2020
Neftali Galarza	Member	2020

ADMINISTRATION

Dr. Edwin Gomez	Superintendent
Erik Lee	Assistant Superintendent, Business and Finance
Dr. Josie Paredes	Assistant Superintendent, Educational Services
Dr. Maria Gandra	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, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,442.20	5,450.58
Fourth through sixth	4,294.44	4,299.10
Seventh and eighth	2,800.59	2,790.93
Ninth through twelfth	4,771.47	4,698.72
Total Regular ADA	17,308.70	17,239.33
Extended Year Special Education		
Transitional kindergarten through third	3.81	7.80
Fourth through sixth	2.98	5.34
Seventh and eighth	4.43	6.60
Ninth through twelfth	1.71	4.26
Total Extended Year Special Education	12.93	24.00
Total ADA	17,321.63	17,263.33

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	53,580	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,685	180	N/A	Complied
Grade 2		53,685	180	N/A	Complied
Grade 3		53,685	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,000	180	N/A	Complied
Grade 5		54,000	180	N/A	Complied
Grade 6		54,000	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		64,150	180	N/A	Complied
Grade 8		64,150	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,434	180	N/A	Complied
Grade 10		65,434	180	N/A	Complied
Grade 11		65,434	180	N/A	Complied
Grade 12		65,434	180	N/A	Complied

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	Capital Facilities Fund	Building Fund
FUND BALANCE		
Balance, June 30, 2018, Unaudited Actuals	\$ 5,794,668	\$ 95,953,276
Decrease in:		
Accounts Payable	424,614	-
Increase in:		
Accounts payable	-	(1,048,301)
Balance, June 30, 2018, Audited Financial Statement	<u>\$ 6,219,282</u>	<u>\$ 94,904,975</u>

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 ¹	2018	2017	2016
GENERAL FUND				
Revenues	\$ 252,508,600	\$ 244,966,914	\$ 241,841,348	\$ 236,310,633
Other sources	-	-	6,733,006	-
Total Revenues and Other Sources	252,508,600	244,966,914	248,574,354	236,310,633
Expenditures	250,195,170	249,398,308	261,063,421	217,013,478
Other uses and transfers out	1,098,895	4,876,023	1,164,485	1,551,817
Total Expenditures and Other Uses	251,294,065	254,274,331	262,227,906	218,565,295
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,214,535	\$ (9,307,417)	\$ (13,653,552)	\$ 17,745,338
ENDING FUND BALANCE	\$ 14,989,246	\$ 13,774,711	\$ 23,082,128	\$ 36,735,680
AVAILABLE RESERVES ²	\$ 8,993,953	\$ 7,494,852	\$ 14,179,789	\$ 27,318,342
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.64%	2.95%	5.41%	12.92%
LONG-TERM OBLIGATIONS ⁴	N/A	\$ 408,711,537	\$ 410,361,641	\$ 310,901,982
K-12 AVERAGE DAILY ATTENDANCE AT P-2	17,352	17,322	17,666	17,906

The General Fund balance has decreased by \$22,960,969 over the past two years. The fiscal year 2018-2019 budget projects an increase of \$1,214,535 (8.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three years but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$97,809,555 over the past two years.

Average daily attendance has decreased by 584 over the past two years. However, an increase of 30 ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 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 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016.

⁴ Long-term obligations have been restated as of June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2018

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

See accompanying note to supplementary information.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 312,061	\$ 122,576	\$ 47,061
Receivables	520,308	136,218	1,348
Due from other funds	-	15,593	-
Total Assets	\$ 832,369	\$ 274,387	\$ 48,409
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,362	\$ 2,277	\$ -
Due to other funds	121,775	272,110	-
Total Liabilities	133,137	274,387	-
Fund Balances:			
Restricted	606,226	-	-
Assigned	93,006	-	48,409
Total Fund Balances	699,232	-	48,409
Total Liabilities and Fund Balances	\$ 832,369	\$ 274,387	\$ 48,409

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 6,204,373	\$ 222,574	\$ 7,392,495	\$ 320,067	\$ 14,621,207
26,794	1,009	25,144	-	710,821
-	-	-	-	15,593
<u>\$ 6,231,167</u>	<u>\$ 223,583</u>	<u>\$ 7,417,639</u>	<u>\$ 320,067</u>	<u>\$ 15,347,621</u>
\$ 11,885	\$ -	\$ -	\$ -	\$ 25,524
-	-	102,085	-	495,970
<u>11,885</u>	<u>-</u>	<u>102,085</u>	<u>-</u>	<u>521,494</u>
6,219,282	223,583	-	320,067	7,369,158
-	-	7,315,554	-	7,456,969
<u>6,219,282</u>	<u>223,583</u>	<u>7,315,554</u>	<u>320,067</u>	<u>14,826,127</u>
<u>\$ 6,231,167</u>	<u>\$ 223,583</u>	<u>\$ 7,417,639</u>	<u>\$ 320,067</u>	<u>\$ 15,347,621</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, 2018

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ 479,650	\$ 34,764	\$ -
Other State sources	2,032,945	1,389,112	-
Other local sources	60,017	9,474	2,169
Total Revenues	2,572,612	1,433,350	2,169
EXPENDITURES			
Current			
Instruction	1,534,900	1,843,200	-
Instruction-related activities:			
Supervision of instruction	203,608	580	-
School site administration	444,821	9,974	-
Pupil Services:			
All other pupil services	150,213	2,980	-
General administration:			
All other general administration	121,721	136,242	-
Plant services	66,900	-	-
Other outgo	-	-	-
Facility acquisition and construction	-	-	337,709
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,522,163	1,992,976	337,709
Excess (Deficiency) of Revenues Over Expenditures	50,449	(559,626)	(335,540)
Other Financing Sources:			
Transfers in	-	559,626	383,949
Transfers out	-	-	-
NET CHANGE IN FUND BALANCES	50,449	-	48,409
Fund Balances - Beginning	648,783	-	-
Fund Balances - Ending	\$ 699,232	\$ -	\$ 48,409

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 514,414
-	-	-	-	3,422,057
2,230,889	4,002	4,658,921	49,154	7,014,626
<u>2,230,889</u>	<u>4,002</u>	<u>4,658,921</u>	<u>49,154</u>	<u>10,951,097</u>
-	-	-	-	3,378,100
-	-	-	-	204,188
-	-	-	-	454,795
-	-	-	-	153,193
-	-	-	-	257,963
-	-	-	-	66,900
-	-	-	9,223	9,223
1,081,860	128,471	2,232,208	-	3,780,248
-	-	1,485,000	-	1,485,000
-	-	1,735,690	-	1,735,690
<u>1,081,860</u>	<u>128,471</u>	<u>5,452,898</u>	<u>9,223</u>	<u>11,525,300</u>
<u>1,149,029</u>	<u>(124,469)</u>	<u>(793,977)</u>	<u>39,931</u>	<u>(574,203)</u>
-	-	-	-	943,575
-	-	(111,960)	-	(111,960)
1,149,029	(124,469)	(905,937)	39,931	257,412
5,070,253	348,052	8,221,491	280,136	14,568,715
<u>\$ 6,219,282</u>	<u>\$ 223,583</u>	<u>\$ 7,315,554</u>	<u>\$ 320,067</u>	<u>\$ 14,826,127</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

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 funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 36,962,298
Medi-Cal Billing Option	93.778	<u>153,048</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 37,115,346</u></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, 2018

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 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, 2018, 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 17, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-003 to be material weaknesses.

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. We did not identify any deficiencies that we consider to be significant deficiencies

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 17, 2018.

Coachella Valley Unified School District's Response to Findings

Coachella Valley Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned 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 result 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 17, 2018



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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT 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 (the District) 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 major Federal programs for the year ended June 30, 2018. 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, 2018.

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 17, 2018



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

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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 (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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, 2018.

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 *2017-2018 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 Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Coachella Valley Unified School District did not comply with requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts; refer to State Awards Findings and Questioned Costs, finding 2018-004. 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 Unduplicated Local Control Funding Formula Pupil Counts

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, 2018.

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, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
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
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
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

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 an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship 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 Independent Study-Course Based Program.

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

Vavrinch, Train, Dwyer & Co., LLP

Rancho Cucamonga, California
December 17, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 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>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>
<u>84.367</u>	<u>Title II, Part A, Supporting Effective Instruction</u>
<u>84.365</u>	<u>Title III, English Language Acquisition State Grants</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,113,460</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>Unduplicated Local Control Funding Formula Pupil Counts</u>

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
60000	Miscellaneous

2018-001 60000

Criteria or Specific Requirements

According to Title 5 California Code of Regulations Section 15450(a), available reserves for any budget year or two subsequent years are not less than three percent for Districts with 1,001 to 30,000 Average Daily Attendance (ADA). The available reserves are unrestricted amounts in the Reserve for Economic Uncertainties and the Unassigned/Unappropriated accounts in the General Fund and the Special Reserve Fund for Other than Capital Outlay Projects.

Condition

For the fiscal year ending June 30, 2018, the District ended the year with \$7,494,852 in available reserves which was comprised of unassigned balances held in the General Fund. This amount represented 2.95 percent of the District's total expenditures and other financing uses which was \$133,378 or 0.05 percent below the amount required to be held as available reserves.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's reserve balances. For the year ended June 30, 2018, the District's General Fund reported a total combined expenditure and other financing uses of \$254,274,331. Unassigned fund balance (Object Code 9790) reported in the General Fund was noted as \$7,494,852 which represents 2.95 percent of the District's total General Fund expenditures and other financing uses.

Effect

The District did not meet the required reserves as stipulated in Title 5 California Code of Regulations Section 15450(a). Accordingly, the District's fiscal stability, going forward, appears to be in jeopardy.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Cause

The significant factors contributing to the District's condition include the following:

- 1) Heavy deficit spending that took place in the current and the previous fiscal year within the General Fund.
- 2) Declining enrollment/ADA which impairs the revenue growth needed to keep up with increased level of spending.
- 3) Unsustainable expenditures due to the lack of an effective and aggressive expenditure mitigation plan that's implemented by the District and the governing board.
- 4) The subsidies of the District's Child Development and Food Services programs that have been running at structural deficits.

Recommendation

The District must progressively monitor its budget to actual results to ensure that the District can maintain its fiscal solvency. More importantly, the District must develop a more aggressive fiscal/budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan must incorporate adequate expenditure mitigation objectives that can create an additional layer of "cushion" beyond the minimum reserve requirement, as stipulated in Title 5, California Code of Regulations, Section 15450(a). This would allow the District to accommodate future uncertainties in operational variance without impairing the District's fiscal solvency.

Corrective Action Plan

The District is carefully monitoring its budget-to-actual results to ensure that it maintains fiscal solvency. Reductions-in-force are utilized per Ed. Code, and contracts and expense outlays are carefully analyzed for efficacy, effectiveness and affordability. In the face of declining enrollment, the District is striving to recruit inter-district transfers back to CVUSD, and actively working to improve the ratio of average attendance to enrollment.

In addition, the District is currently bringing in a former FCMAT expert to analyze the District's Special Education program for cost optimizations. District staff are employing these and many other efforts to balance expenses with revenues, especially developing strategies to offset PERS & STRS cost increases to protect and ensure current and future District solvency.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

2018-002 60000

Criteria or Specific Requirements

The District has a responsibility to operate its child development/care programs in a fiscally sound manner. The programs must be self-sustaining and they must not rely on regular operational contributions from other sources in order for the District to properly administer the programs. Furthermore, revenues generated by the administration of the program should not be exceeded by the expenditures incurred by the program.

Condition

For the fiscal year ending June 30, 2018, the District's Child Development Fund reported revenues of \$1,433,350 and program expenditures in the amount of \$1,992,976, resulting in an operational deficit of \$559,626. Furthermore, the District's Child Development Fund has been experiencing operational deficits of \$623,542, \$343,406, and \$419,674 for the fiscal years ending June 30, 2017, June 30, 2016, and June 30, 2015, respectively. The trend indicates that the District has been administering its Child Development/Care programs at structural deficits. Annual deficits created by the District's Child Development Fund has been subsidized by the District's General Fund.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the analytical review of the District's Child Development Fund, which included the review of historical trends.

Effect

The District's Child Development/Care operations have been running at structural deficits and this has inadvertently created a fiscal burden on the General Fund.

Cause

The cause appears to be attributed to the District's inability to reduce costs incurred by its Child Development/Care programs.

Recommendation

In light of the condition identified in Finding 2018-001, the District's General Fund is not in the fiscal condition to continue to subsidize the expenditure overruns observed in the District's Child Development Fund. The District must develop expenditure mitigation plans to ensure that the District's Child Development/Care programs are self-sustaining.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Corrective Action Plan

The District recognizes that its Child Development program is encroaching on the General Fund. In conversations with CDE officials over this program deficit, and after reviewing CVUSD's current financial distress, CDE employees advised the District of a little known opportunity to submit an application to CDE requesting a revision upward in program reimbursement rate. The District took advantage of that opportunity.

In addition, a team of CVUSD Finance, Ed. Services and Human Resources staff is meeting with the Child Development Director to review program slots & attendance optimizations, possible cuts to over-programmed days of services, and other cost optimizations to bring the program back to break-even status in FY19-20.

2018-003 60000

Criteria or Specific Requirements

The District has a responsibility to operate its Food Services programs in a fiscally sound manner. The programs must be self-sustaining and they must not rely on regular operational contributions from other sources in order for the District to properly administer the programs. Furthermore, revenues generated by the administration of the program should not be exceeded by the expenditures incurred by the program.

Condition

For the fiscal year ending June 30, 2018, the District's Cafeteria Fund reported revenues of \$14,410,496 and program expenditures in the amount of \$16,209,399, resulting in an operational deficit of \$1,798,903. Furthermore, the District's Cafeteria Fund has been experiencing operational deficits of \$5,185,811 and \$3,156,601 for the fiscal years ending June 30, 2017 and June 30, 2016, respectively. The observed trend of operational deficits over the past 3 years was triggered by the State's audit of the District's Child Nutrition program which required the District to develop a spending plan to address the growing surplus program funds held by the District. The District took corrective actions to address the surplus funds held, however, it appears that the District did not properly execute its spending plan. The District's aggressive spending in the past three years not only exhausted its surplus funds, but the plan has created an operational deficit which was mitigated by contributions from the General Fund in the current year.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the analytical review of the District's Cafeteria Fund, which included the review of historical trends.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Effect

Current year's operational deficit appears to be structural deficit and this has inadvertently created a fiscal burden on the District's General Fund.

Cause

The cause appears to be attributed to the District's aggressive spending plan to remedy the accumulated program related funds. While the spending plan was necessary to comply with the State's recommendation, the District appears to have not adjusted its spending plan in accordance with revenues generated by the program once the surplus funds have been exhausted.

Recommendation

In light of the condition identified in Finding 2018-001, the District's General Fund is not in the fiscal condition to continue to subsidize the expenditure overruns observed in the District's Cafeteria Fund. The District must develop expenditure mitigation plans to ensure that the District's Food Services programs are self-sustaining.

Corrective Action Plan

District Finance and Nutrition Services Department leaders began the qualification process in November 2017 for the Community Eligibility Provision (CEP) to increase meal reimbursement rates. The CEP program kicked off successfully in July, 2018.

To further increase revenue, the District is beginning a-la-cart food sales at each site, and has initiated another program called "2nd Chance Breakfast" at selected sites.

Additionally, the District is analyzing its Nutritional labor force and cooperating with Riverside County Office of Education (RCOE) officials in comparing labor utilization metrics with standards and industry practices employed in School Districts in Riverside County.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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:

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

2018-004 40000

Criteria or Specific Requirements

Per California Education Code Section 42238.02(b)(4), Local Educational Agencies (LEAs) should revise their submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of information reported on the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

It appears that the District erroneously classified a total of 202 students as having free or reduced price meal eligibility designations.

Questioned costs

While there were no direct questioned costs associated with the condition identified, the condition resulted in a decrease in the District’s Local Control Funding Formula of \$152,776.

Context

The condition was identified as a result of selecting a sample of students from the “1.18 – FRPM/English Learner/Foster Youth – Student List” CALPADS report in accordance to the 2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. The initial sample was selected from six school sites, which resulted in exceptions noted for two of these sites. Specifically, the District did not have supporting documentation for 3 of the 60 students selected who had a status designation of Free or Reduced on the “1.18 – FRPM/English Learner/Foster Youth – Student List” CALPADS report. It appears the District did not receive current year applications for these students and the 1.18 report was not updated. A total population of 16,133 students were identified as having a Free or Reduced status on the “1.18 – FRPM/English Learner/Foster Youth – Student List” CALPADS report. The auditor requested a full list of all students who did not submit a meal application and/or alternative income forms for the 2017-18 fiscal year. Subsequently, the District produced a comprehensive list of students that were identified on the “1.18 – FRPM/English Learner/Foster Youth – Student List” that designated as free or reduced, but did not have adequate supporting documentation. The District’s search criteria yielded a total of 202 students that were incorrectly designated as having free or reduced status on the “1.18 – FRPM/English Learner/Foster Youth – Student List” report.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Effect

As a result of our testing, it appears that the District did not update the 1.18 – FRPM/English Learner/Foster Youth – Student List” CALPADS report for pupils that did not have documentation supporting a Free or Reduce designation on the “1.18 – FRPM/English Learner/Foster Youth – Student List” CALPADS report. The following schedule identifies the exceptions District-wide:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on Eligibility FRPM	Adjusted Total Unduplicated Count
Total District-wide	18,235	16,809	(202)	16,607

Cause

The cause is unknown.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measure are taking place to ensure that CALPADS information is being updated.

Corrective Action Plan

The District has implemented changes including reviewing data input and identifying anomalies in the data in order to accurately and timely update student eligibility within the Aeries system. The District Technology and Education Services teams will identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measures are taking place to ensure that CALPADS information is being updated.

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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

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.

Cause

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

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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.

Current Status

Implemented.



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, 2018, 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 17, 2018, 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 out of seven disbursements tested were being made without explicit receiving documentation for goods being ordered. As a result, vendor invoices were being paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.
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. Four of four fundraisers tested did not have revenue potential forms prepared.
6. The Site does not complete a ticket sales form for ticketed events. In addition, a master ticket log is not being used by the sites to account for all tickets on hand and used during the year.

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. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. School site and the District should restructure the ASB Registrar's responsibilities to mitigate the conflict of interest.
5. 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 and actual sales with an explanation of the difference. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

6. 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. In addition, master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Mecca Elementary School

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. All of the fundraisers tested did not contain adequate receipting documentation to substantiate the revenue amount indicated on the revenue potential form.
3. Based on our review of the ASB's fundraising procedures, it was noted that fundraisers did not have a completed revenue potential form on file.

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. When a fundraising event occurs, those collecting cash should ensure that adequate receipting documentation has been maintained to substantiate the amount of actual revenues indicated on the associated revenue potential form. This can be achieved through the use of pre-numbered triplicate receipts, logs, tickets, etc.
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.

La Familia High School (Continuation)

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. None of the fundraisers tested contained adequate receipting documentation to substantiate the revenue amount indicated on the revenue potential form.
3. Based on our review of the ASB's fundraising procedures, it was noted that fundraisers did not have a completed revenue potential form on file.

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. When a fundraising event occurs, those collecting cash should ensure that adequate receipting documentation has been maintained to substantiate the amount of actual revenues indicated on the associated revenue potential form. This can be achieved with pre-numbered triplicate receipts, logs, tickets, etc.
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.

Cahuilla Desert Academy

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. One of 19 receipts tested were not deposited in a timely manner due to cash collections being held by teachers and advisors for extended periods of time. Deposit occurred 21 days from initial receipt date.
3. One of 5 disbursements tested was not approved prior to the transaction taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. One of one fundraisers tested did not contain adequate receipting documentation to substantiate the revenue amount indicated on the revenue potential form.

5. One of one fundraisers tested contained a revenue potential form that was not complete. Actual revenues were not documented on the revenue potential form and an explanation for differences between expected and actual profits was not indicated.
6. A master ticket log is not being used by the site to account for all tickets on hand and used during the year.

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 students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Request for Deposit should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
3. 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.
4. When a fundraising event occurs, those collecting cash should ensure that adequate receipting documentation has been maintained to substantiate the amount of actual revenues indicated on the associated revenue potential form. This can be achieved through the use of pre-numbered triplicate receipts, logs, tickets, etc.
5. Revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the actual results section of the revenue potential, the ASB will know how much profit they have made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
6. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Las Palmitas Elementary School

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

1. Cash collections made by teachers and advisors are not consistently supported by sub-receipts, logs, or tally sheets. Seventeen of 19 receipts tested were not adequately supported by sub-receipts, logs, or tally sheets.

2. Two of three disbursements tested were not approved prior to the transaction taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

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 students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Request for Deposit 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

Mountain Vista Elementary School

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

1. Cash collections made by teachers and advisors are not consistently supported by sub-receipts, logs, or tally sheets. Nine of nine receipts tested were not adequately supported by sub-receipts, logs, or tally sheets.
2. One of three disbursements tested was not approved prior to the transaction taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. One of one fundraisers tested did not contain adequate receipting documentation to substantiate the revenue amount indicated on the revenue potential form.
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.

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 students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Request for Deposit 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. When a fundraising event occurs, those collecting cash should ensure that adequate receipting documentation has been maintained to substantiate the amount of actual revenues indicated on the associated revenue potential form. This can be achieved through the use of pre-numbered triplicate receipts, logs, tickets, etc.
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.

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

Vavrinich, Train, Dwyer & Co, LLP

Rancho Cucamonga, California
December 17, 2018