Financial Statements
June 30, 2019

Covina-Valley Unified School District

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COVINA-VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Covina-Valley Unified School District
Covina, 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 Covina-Valley Unified School District (the District) as of and for the year ended June 30, 2019, 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 *2018-2019 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.

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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 District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, and other required supplementary information on pages 75 through 80, 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 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 November 26, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
November 26, 2019

COVINA-VALLEY
UNIFIED SCHOOL DISTRICT

This section of Covina-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, 2019, with comparative information for the year ending June 30, 2018. 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 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.

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 Covina-Valley Unified School District.

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REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and 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 will serve as a useful indicator of whether the financial position of the District 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*, the District reports all of its services in this category:

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.

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

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

THE DISTRICT AS A TRUSTEE

Reporting the Districts 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 *Fiduciary Funds - Statement of 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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(116,592,721) for the fiscal year ended June 30, 2019. Of this amount. $(118,622,037) was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants 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	
	2019	2018
Assets		
Current and other assets	$ 139,326,084	$ 118,020,521
Capital assets	169,778,711	171,359,186
Total Assets	**309,104,795**	**289,379,707**
Deferred Outflows of Resources	**46,826,619**	**49,539,972**
Liabilities		
Current liabilities	48,167,660	33,001,769
Long-term obligations	261,071,444	250,892,368
Aggregate net pension liability*	148,130,111	143,403,887
Total Liabilities	**457,369,215**	**427,298,024**
Deferred Inflows of Resources	**15,154,920**	**17,175,058**
Net Position		
Net investment in capital assets	(25,606,892)	(16,138,947)
Restricted	27,636,208	23,784,038
Unrestricted deficit	(118,622,037)	(113,198,494)
Total Net Position (Deficit)	**$ (116,592,721)**	**$ (105,553,403)**

* Directly paid by CalPERS and CalSTRS and not reflected in the governmental fund financial statements.

The $(118,622,037) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 6,819,023	$ 8,335,776
Operating grants and contributions	99,536,764	88,456,998
General revenues:		
Federal and State aid not restricted	97,530,445	91,773,716
Property taxes	40,353,515	39,144,916
Other general revenues	7,477,180	7,202,086
Total Revenues	**251,716,927**	**234,913,492**
Expenses		
Instruction-related	137,390,835	127,026,635
Pupil services	18,983,209	17,120,683
Administration	9,690,863	8,915,469
Plant services	19,374,059	17,184,746
All other services	77,317,279	72,591,062
Total Expenses	**$ 262,756,245**	**$ 242,838,595**
Change in Net Position	**$ (11,039,318)**	**$ (7,925,103)**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $262,756,245. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $40,353,515 because the cost was paid by those who benefited from the programs ($6,819,023) or by other governments and organizations who subsidized certain programs with grants and contributions ($99,536,764). We paid for the remaining "public benefit" portion of our governmental activities with $105,007,625 in State funds and with other revenues, like interest, and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction-related	$ 137,390,835	$ 127,026,635	$ 103,124,562	$ 101,171,410
Pupil services	18,983,209	17,120,683	8,260,982	7,982,637
Administration	9,690,863	8,915,469	8,662,382	7,638,338
Plant services	19,374,059	17,184,746	18,812,980	16,059,282
All other services	77,317,279	72,591,062	17,539,552	13,194,154
Total	**$ 262,756,245**	**$ 242,838,595**	**$ 156,400,458**	**$ 146,045,821**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $89,835,511, which is a net increase of $5,721,054 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	$ 28,117,126	$ 160,720,757	$ 159,874,843	$ 28,963,040
Special Education Pass-Through Fund	-	63,533,098	63,533,098	-
Building Fund	16,902,654	14,473,704	12,768,711	18,607,647
Debt Service Fund	19,096,742	294,159	739,450	18,651,451
Adult Education Fund	2,229,443	4,984,314	4,126,824	3,086,933
Child Development Fund	656,800	3,727,805	3,342,986	1,041,619
Cafeteria Fund	6,297,795	6,451,974	6,515,290	6,234,479
Capital Facilities Fund	1,143,475	737,723	223,005	1,658,193
Special Reserve Fund for Capital Outlay Projects	1,545,888	778,955	767,963	1,556,880
Bond Interest and Redemption Fund	8,124,534	15,791,407	13,880,672	10,035,269
Total	**$ 84,114,457**	**$ 271,493,896**	**$ 265,772,842**	**$ 89,835,511**

The primary reasons for these increases and decreases are:

- As the District's principal operating funding, the General Fund, is comprised of unrestricted as well as restricted dollars. The General Fund 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.

  The General Fund is inclusive of all the financial activity for the East San Gabriel Valley SELPA. The District serves as the Administrative Unit for the SELPA and records all financial activity under a sub fund within the District's General Fund.

  In total, the General Fund balance increased by $0.8 million.
- The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the Nutrition Services program. The Cafeteria Fund decreased by $0.1 million.
- The Building Fund is primarily utilized to account bond proceeds and record expenditures in accordance with bond language. The fund balance in the Building Fund increased by $1.7 million.
- The Bond Interest and Redemption Fund are used for the repayment of bonds issued by the District. The Bond Interest and Redemption fund increased by $1.9 million primarily due to the issuance of Series E bonds.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 75.)

The anticipated ending balance for the General Fund was projected at $27.6 million, based on final budgetary revisions through June 30, 2019. Based on year-end totals, the ending fund balance was $29.0 million, reflecting an increase over earlier projections.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $169,778,711 in a broad range of capital assets (net of depreciation), including land, construction in progress, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1,580,475, or 1.0 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in progress	$ 15,399,916	$ 10,464,488
Buildings and improvements	153,444,067	159,922,076
Equipment	934,728	972,622
Total	**$ 169,778,711**	**$ 171,359,186**

This year's additions included mainly site and building improvements.

Several capital projects are planned for the 2019-2020 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $261,071,444 in long-term obligations outstanding versus $250,892,368 last year, an increase of 4.1 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General Obligation Bonds - net (financed with property taxes)	$ 240,630,225	$ 230,579,041
Qualified Zone Academy Bonds	1,791,123	2,186,898
Early retirement incentives	187,500	270,000
Capitalized leases	2,771,676	2,450,620
Aggregate net OPEB liability	11,394,169	11,111,937
Compensated absences	1,739,542	1,709,865
Claims liability	2,557,209	2,584,007
Total	**$ 261,071,444**	**$ 250,892,368**

The District's General Obligation Bond rating continues to be "Aa3." The State limits the amount of general obligation debt that districts can issue to 5.00 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding net obligation debt is below statutorily-imposed limit.

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

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of $148,130,111 versus $143,403,887 last year, an increase of $4,726,224, or 3.3 percent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the 2019-2020 fiscal year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

- LCFF Revenue is budgeted at $10,723 per ADA, comprised of 3.26 percent COLA, 70.42 percent Unduplicated and 100 percent LCFF Funding Gap. Enrollment projections indicate a decline in student population that directly affects the LCFF Revenue Funding. Projected Second Period Apportionment (P2 ADA) is projected at 11,183, including 35 LACOE operated programs ADA. The District is projected to be funded on ADA of 11,285.

- LCFF income is budgeted at $121.0 million, an increase of $2.2 million, or 1.8 percent from the prior year. This included property tax revenues budgeted at $22.3 million and EPA revenues budgeted at $17.3 million.

- Federal income is budgeted at $6.8 million, a slight increase from the prior year.

- Other State income is budgeted at $19.6 million, a decrease of $1.3 million. The decrease is mainly attributed to the decrease in one-time funds for outstanding mandated claims.

Expenditures are based on the following forecasts:

- Health and Welfare costs are expected to increase by $0.8 million from the prior year.

- The contribution for statutory benefits is equal to 19.77 percent for certificated personnel (includes 16.70 percent for CalSTRS Employer rate) and 30.003 percent for classified personnel (includes 20.733 percent for CalPERS Employer rate).

- Salary were projected to be $91.4 million which included an anticipated increase of $3.3 million.

- Substitute teacher costs are budgeted at $2.1 million.

- Liability and property damage insurance is budgeted at $0.7 million.

- Utilities and other operating costs are budgeted at $3.3 million.

- The following represent projected certificated personnel staffing ratios:

	Staffing Ratio	Enrollment
Grades kindergarten through three	24:1	3,192
Grades four through fifth	33:1	2,344
Grades sixth through eighth	34:1	1,720
Grades ninth through twelfth	34:1	4,214

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent Business Services/CBO at Covina-Valley Unified School District, 519 East Badillo Street, Covina, California, 91723.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 111,405,520
Receivables	26,520,201
Prepaid expenses	1,286,803
Stores inventories	113,237
Other current assets	323
Capital Assets:	
Land and construction in process	15,399,916
Other capital assets	290,911,096
Less: Accumulated depreciation	(136,532,301)
Total Capital Assets	169,778,711
Total Assets	309,104,795
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	299,633
Deferred outflows of resources related to pensions	46,526,986
Total Deferred Outflows of Resources	46,826,619
LIABILITIES	
Accounts payable	44,753,256
Accrued interest payable	3,336,547
Unearned revenue	77,857
Long-Term Obligations:	
Current portion of long-term obligations other than pensions	25,749,371
Noncurrent portion of long-term obligations other than pensions	235,322,073
Total Long-Term Obligations	261,071,444
Aggregate net pension liability	148,130,111
Total Liabilities	457,369,215
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	271,751
Deferred inflows of resources related to pensions	14,883,169
Total Deferred Inflows of Resources	15,154,920
NET POSITION	
Net investment in capital assets	(25,606,892)
Restricted for:	
Debt service	7,794,518
Capital projects	1,658,193
Educational programs	5,904,553
Other activities	12,278,944
Unrestricted deficit	(118,622,037)
Total Net Position (Deficit)	$ (116,592,721)

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 119,279,141	$ 1,627,847	$ 27,795,985	$ (89,855,309)
Instruction-related activities:				
Supervision of instruction	5,332,688	154,395	2,587,328	(2,590,965)
Instructional library, media, and technology	419,512	-	-	(419,512)
School site administration	12,359,494	147,600	1,953,118	(10,258,776)
Pupil services:				
Home-to-school transportation	2,961,851	24	317	(2,961,510)
Food services	6,540,748	680,400	5,300,365	(559,983)
All other pupil services	9,480,610	991,557	3,749,564	(4,739,489)
Administration:				
Data processing	2,775,852	51,291	55,206	(2,669,355)
All other administration	6,915,011	81,658	840,326	(5,993,027)
Plant services	19,374,059	42,339	518,740	(18,812,980)
Interest on long-term obligations	9,315,509	-	-	(9,315,509)
Other outgo	68,001,770	3,041,912	56,735,815	(8,224,043)
Total Governmental Activities	$ 262,756,245	$ 6,819,023	$ 99,536,764	(156,400,458)

General revenues and subventions:	
Property taxes, levied for general purposes	25,828,380
Property taxes, levied for debt service	13,747,905
Taxes levied for other specific purposes	777,230
Federal and State aid not restricted to specific purposes	97,530,445
Interest and investment earnings	1,658,785
Miscellaneous	5,818,395
Subtotal, General Revenues	145,361,140
Change in Net Position	(11,039,318)
Net Position (Deficit) - Beginning	(105,553,403)
Net Position (Deficit) - Ending	$ (116,592,721)

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Special Education Pass-Through Fund	Building Fund
ASSETS			
Deposits and investments	$ 40,456,643	$ 953,975	$ 20,630,289
Receivables	6,149,229	18,250,192	117,103
Prepaid expenditures	1,286,803	-	-
Stores inventories	42,410	-	-
Other current assets	323	-	-
Total Assets	$ 47,935,408	$ 19,204,167	$ 20,747,392
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 18,894,511	$ 19,204,167	$ 2,139,745
Unearned revenue	77,857	-	-
Total Liabilities	18,972,368	19,204,167	2,139,745
Fund Balances:			
Nonspendable	1,364,213	-	-
Restricted	5,904,553	-	18,607,647
Assigned	739,157	-	-
Unassigned	20,955,117	-	-
Total Fund Balances	28,963,040	-	18,607,647
Total Liabilities and Fund Balances	$ 47,935,408	$ 19,204,167	$ 20,747,392

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 18,651,451	$ 22,575,180	$ 103,267,538
-	1,638,932	26,155,456
-	-	1,286,803
-	70,827	113,237
-	-	323
$ 18,651,451	$ 24,284,939	$ 130,823,357
$ -	$ 671,566	$ 40,909,989
-	-	77,857
-	671,566	40,987,846
-	70,827	1,435,040
18,651,451	21,870,155	65,033,806
-	1,672,391	2,411,548
-	-	20,955,117
18,651,451	23,613,373	89,835,511
$ 18,651,451	$ 24,284,939	$ 130,823,357

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 89,835,511**
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	$ 306,311,012	
Accumulated depreciation is	(136,532,301)	
Net Capital Assets		169,778,711
Deferred outflows of resources related to OPEB represent a consumption of net position that applies to a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of:		
Changes of assumptions		299,633
Deferred inflows of resources related to OPEB 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 OPEB at year-end consist of:		
Changes of assumptions		(271,751)
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	14,486,188	
Net change in proportionate share of net pension liability	7,970,955	
Differences between projected and actual earnings on pension plan investments	323,794	
Differences between expected and actual experience in the measurement of the total pension liability	2,924,852	
Changes of assumptions	20,821,197	
Total Deferred Outflows of Resources Related to Pensions		46,526,986
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:		
Net change in proportionate share of net pension liability	(9,121,055)	
Differences between projected and actual earnings on pension plan investments	(4,183,858)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,578,256)	
Total Deferred Inflows of Resources Related to Pensions		(14,883,169)

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2019

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		$ (3,336,547)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		2,102,251
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(148,130,111)
Long-term obligations at year-end consist of:		
General obligation bonds	$ (206,323,091)	
Unamortized premium	(13,095,354)	
Qualified zone academy bonds	(1,791,123)	
Capital lease - energy conservation improvement	(2,771,676)	
Compensated absences	(1,739,542)	
Aggregate net OPEB liability	(11,394,169)	
Early retirement incentives	(187,500)	
In addition, the District has issued 'capital appreciation' bonds. The accretion of interest on those bonds to date is:	(21,211,780)	
Total Long-Term Obligations		(258,514,235)
Total Net Position (Deficit) - Governmental Activities		**$ (116,592,721)**

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Education Pass-Through Fund	Building Fund
REVENUES			
Local Control Funding Formula	$ 118,835,160	$ -	$ -
Federal sources	8,051,956	20,842,780	-
Other State sources	26,726,305	42,690,318	-
Other local sources	6,050,978	-	473,704
Total Revenues	159,664,399	63,533,098	473,704
EXPENDITURES			
Current			
Instruction	104,390,406	-	-
Instruction-related activities:			
Supervision of instruction	5,050,649	-	-
Instructional library, media, and technology	379,448	-	-
School site administration	10,698,594	-	-
Pupil services:			
Home-to-school transportation	2,492,850	-	-
Food services	84,413	-	-
All other pupil services	7,506,708	-	-
Administration:			
Data processing	2,622,285	-	-
All other administration	6,046,563	-	-
Plant services	14,727,065	-	303,317
Other outgo	4,468,672	63,533,098	-
Facility acquisition and construction	30,847	-	11,855,975
Debt service			
Principal	535,302	-	395,775
Interest and other	69,975	-	213,644
Total Expenditures	159,103,777	63,533,098	12,768,711
Excess (Deficiency) of Revenue Over Expenditures	560,622	-	(12,295,007)
Other Financing Sources (Uses)			
Transfers in	200,000	-	-
Other sources - proceeds from issuance of general obligation bonds	-	-	14,000,000
Other sources - proceeds from capital lease	856,358	-	-
Transfers out	(771,066)	-	-
Net Financing Sources	285,292	-	14,000,000
NET CHANGE IN FUND BALANCES	845,914	-	1,704,993
Fund Balance - Beginning	28,117,126	-	16,902,654
Fund Balance - Ending	$ 28,963,040	$ -	$ 18,607,647

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 118,835,160
-	5,743,968	34,638,704
-	6,265,950	75,682,573
294,159	17,802,236	24,621,077
294,159	29,812,154	253,777,514
-	3,917,442	108,307,848
-	166,272	5,216,921
-	-	379,448
-	1,226,878	11,925,472
-	-	2,492,850
-	6,192,060	6,276,473
-	1,308,112	8,814,820
-	-	2,622,285
-	580,713	6,627,276
-	1,237,155	16,267,537
-	-	68,001,770
-	147,436	12,034,258
-	7,005,000	7,936,077
739,450	6,875,672	7,898,741
739,450	28,656,740	264,801,776
(445,291)	1,155,414	(11,024,262)
-	771,066	971,066
-	1,888,958	15,888,958
-	-	856,358
-	(200,000)	(971,066)
-	2,460,024	16,745,316
(445,291)	3,615,438	5,721,054
19,096,742	19,997,935	84,114,457
$ 18,651,451	$ 23,613,373	$ 89,835,511

COVINA-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, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ 5,721,054**
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 depreciation exceeds capital outlays in the period.		
Capital outlays	$ 10,252,595	
Depreciation expense	(11,833,070)	
Net Expense Adjustment		(1,580,475)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement incentives) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, early retirement incentives paid were $82,500. Vacation earned was more than the amounts used by $29,677.		52,823
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 aggregate net OPEB liability during the year.		50,142
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows, and net pension liability during the year.		(5,751,813)
Some of the equipment acquired this year was financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.		(856,358)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. This year the District issued General Obligation Bonds and received premiums on issuance.		
General obligation bonds	(14,000,000)	
Premium on issuance	(1,888,958)	(15,888,958)

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

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, 2019

Governmental funds report the effect of premiums when the debt is issued, whereas the amounts are deferred and amortized in the Statement of Activities.	$ 1,055,665
Repayment of debt obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	7,005,000
Qualified zone academy bonds	395,775
Capital lease obligations	535,302
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 increased by $249,542, and second, $2,222,891 of accumulated interest was accreted on the District's 'capital appreciation' general obligation bonds.	(2,472,433)
An internal service fund is used by the District's management to charge the costs of the workers' compensation program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	694,958
Change in Net Position of Governmental Activities	**$ (11,039,318)**

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 8,137,982
Receivables	364,745
Total Current Assets	8,502,727
LIABILITIES	
Current Liabilities	
Accounts payable	3,843,267
Noncurrent Liabilities	
Claims liability	2,557,209
Total Liabilities	6,400,476
NET POSITION	
Restricted	$ 2,102,251

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 18,348,621
OPERATING EXPENSES	
Other operating cost	17,737,936
Operating Income	610,685
NONOPERATING REVENUES	
Interest income	84,273
Change in Net Position	694,958
Total Net Position - Beginning	1,407,293
Total Net Position - Ending	$ 2,102,251

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	17,883,707
Other operating cash receipts	240,712
Cash payments to suppliers and for claims	(17,629,285)
Net Cash Flows from Operating Activities	495,134
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	80,062
Change in Cash and Cash Equivalents	575,196
Cash and Cash Equivalents - Beginning	7,562,786
Cash and Cash Equivalents - Ending	$ 8,137,982
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 610,685
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	(224,202)
Accounts payable	135,449
Claims liability	(26,798)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 495,134

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

		Agency Fund
ASSETS		
Deposits and investments	$	471,434
Receivables		6,792
Stores inventories		65,073
Total Assets	$	543,299
LIABILITIES		
Accounts payable	$	88,812
Due to student groups		454,487
Total Liabilities	$	543,299

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Covina-Valley Unified School District (the District) was unified on December 15, 1959 under the laws of the State of California. The District operates under a locally elected five-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 nine elementary schools, three middle schools, three high schools, an alternative high school, a children's center program and adult education centers.

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 Covina-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 also 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.

The District has financial and operational relationships with the Covina-Valley Unified School District Facilities Finance Corporation (Corporation), as represented by the Qualified Zone Academy Bonds, which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

For financial presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data for the District. The financial statements present the Corporation's financial activity within the Building Fund. Qualified Zone Academy Bonds issued are included as long-term obligation in the government-wide financial statements.

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.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

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.

Debt Service Fund The Debt Services Fund is used for the accumulation of resources for, and retirement of, principal and interest on general long-term obligations.

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.

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).

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).

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

Debt Service Funds The Debt Service funds are used for the accumulation of resources for, and payment of, principal and interest on general long-term obligations.

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and 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 goods or services provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a self-insurance fund that is accounted for as an internal service fund.

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 funds account for student body activities (ASB), and for payroll and related expenses paid in advance.

Basis of Accounting - Measurement Focus

Government - Wide Financial Statements The government-wide financial 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 expenses, both direct and indirect, and program revenues for each governmental function, and exclude 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. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

Governmental Funds All governmental funds are accounted for using the 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 financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the 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 45 or 60 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 LEAs 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 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, 2019, 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.

Prepaid Expenditures (Expenses)

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

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 funds and expenses in the fiduciary funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $15,000. 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.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is 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 is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements/infrastructure, 20 years; equipment, 5 to 15 years.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. 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 governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs and Premiums

In the government-wide and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund Statement of Net Position. Debt premiums are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums, 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 OPEB and pension 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 OPEB and pension related items.

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 total OPEB liability of the District Plan and information about the fiduciary net position of 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, 2019, 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 currently does not have any committed funds.

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/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-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 $27,636,208 of restricted net position.

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 charges to other funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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 in the financial statements. Interfund transfers are eliminated in the Statement of Activities.

Estimates

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

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 Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

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 District has implemented the provisions of this Statement as of June 30, 2019.

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 District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for the 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 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.

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.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$ 111,405,520
Fiduciary funds	471,434
Total Deposits and Investments	$ 111,876,954

Deposits and investments as of June 30, 2019, consisted of the following:

Cash on hand and in banks	$ 560,942
Cash in revolving	35,000
Cash with fiscal agent	50,000
Investments	111,231,012
Total Deposits and Investments	$ 111,876,954

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the *California Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

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 primarily investing in the Los Angeles 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 investments by maturity:

Investment Type	Reported Amount	Weighted Average Days to Maturity
U.S. Treasury Notes	$ 18,651,451	31
Los Angeles County Treasury Investment Pool	92,579,561	547
Total	$ 111,231,012	

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. The investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2019. The investments in U.S. Treasury Notes have been rated Aaa by Moody's Investor Services as of June 30, 2019.

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, 2019, the District's bank balance of $230,146 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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.

Uncategorized - Investments in the Los Angeles 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, 2019:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs	Uncategorized
U.S. Treasury Notes	$ 18,651,451	$ 18,651,451	$ -
Los Angeles County Treasury Investment Pool	92,490,758	-	92,490,758
Total	$ 111,142,209	$ 18,651,451	$ 92,490,758

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Education Pass-Through Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government							
Categorical aid	$ 3,908,149	$ 16,996,911	$ -	$ 937,844	$ -	$ 21,842,904	$ -
State Government							
Categorical aid	540,398	1,253,281	-	630,166	-	2,423,845	-
Lottery	571,911	-	-	-	-	571,911	-
Other State revenues	169,616	-	-	-	-	169,616	-
Local Government							
Interest	170,384	-	117,103	66,995	20,001	374,483	-
Other Local Sources	788,771	-	-	3,927	344,744	1,137,442	6,792
Total	$ 6,149,229	$ 18,250,192	$ 117,103	$ 1,638,932	$ 364,745	$ 26,520,201	$ 6,792

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 2,886,240	$ -	$ -	$ 2,886,240
Construction in progress	7,578,248	10,101,860	5,166,432	12,513,676
Total Capital Assets Not Being Depreciated	10,464,488	10,101,860	5,166,432	15,399,916
Capital Assets Being Depreciated:				
Land improvements	88,791,739	-	-	88,791,739
Buildings and improvements	183,569,708	5,166,432	-	188,736,140
Furniture and equipment	13,232,482	150,735	-	13,383,217
Total Capital Assets Being Depreciated	285,593,929	5,317,167	-	290,911,096
Total Capital Assets	296,058,417	15,419,027	5,166,432	306,311,012
Less Accumulated Depreciation:				
Land improvements	42,968,971	4,337,585	-	47,306,556
Buildings and improvements	69,470,400	7,306,856	-	76,777,256
Furniture and equipment	12,259,860	188,629	-	12,448,489
Total Accumulated Depreciation	124,699,231	11,833,070	-	136,532,301
Governmental Activities Capital Assets, Net	$ 171,359,186	$ 3,585,957	$ 5,166,432	$ 169,778,711

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 10,649,763
Home-to-school transportation	354,992
All other pupil services	473,323
Plant services	354,992
Total Depreciation Expenses All Activities	$ 11,833,070

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 200,000	$ 200,000
Non-Major Governmental Funds	771,066	-	771,066
Total	$ 771,066	$ 200,000	$ 971,066

The General Fund transferred $23,779 to the Cafeteria Non-Major Governmental Fund for bad debt expense.

The General Fund transferred $747,287 to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund the RDA facilities portion of taxes received.

The Child Development Non-Major Governmental Fund transferred $200,000 to the General Fund for excess costs incurred by the Kids Korner program.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Special Education Pass-Through Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	$ 8,075,093	$ -	$ 5,663	$ 393,310	$ -	$ 8,474,066	$ -
LCFF apportionment	3,514,608	-	-	-	-	3,514,608	-
Construction	-	-	2,134,082	147,436	-	2,281,518	-
Due to member LEAs	-	19,204,167	-	-	-	19,204,167	-
Deficit cash balances	-	-	-	-	-	-	6,792
Other vendor payables	7,304,810	-	-	130,820	3,843,267	11,278,897	82,020
Total	$ 18,894,511	$ 19,204,167	$ 2,139,745	$ 671,566	$ 3,843,267	$ 44,753,256	$ 88,812

NOTE 8 - UNEARNED REVENUE

Unearned revenue of $77,857 at June 30, 2019, consists of Federal financial assistance in the General Fund.

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, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 218,316,980	$ 16,222,891	$ 7,005,000	$ 227,534,871	$ 24,734,957
Premium on issuance	12,262,061	1,888,958	1,055,665	13,095,354	-
Qualified zone academy bonds	2,186,898	-	395,775	1,791,123	415,564
Early retirement incentives	270,000	-	82,500	187,500	63,000
Capital leases	2,450,620	856,358	535,302	2,771,676	535,850
Aggregate net OPEB liability	11,111,937	1,091,946	809,714	11,394,169	-
Compensated absences	1,709,865	29,677	-	1,739,542	-
Claims liability	2,584,007	579,631	606,429	2,557,209	-
	$ 250,892,368	$ 20,669,461	$ 10,490,385	$ 261,071,444	$ 25,749,371

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on qualified zone academy bonds are paid by the Building Fund. Payments on early retirement incentive are made by the General Fund. Payments on capital leases are paid by the General Fund. Other postemployment benefits will be paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked. Claims liability will be paid by the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued/ Accreted	Redeemed	Bonds Outstanding June 30, 2019
6/19/2003	6/1/2028	2.20%-5.20%	$ 30,000,000	$ 24,894,282	$ 1,280,632	$ 2,485,000	$ 23,689,914
10/3/2007	8/1/2032	3.50%-5.25%	18,999,949	19,502,698	942,259	1,445,000	18,999,957
12/6/2011	8/1/2026	3.00%-5.25%	13,495,000	10,320,000	-	785,000	9,535,000
5/9/2013	8/1/2052	2.00%-4.15%	30,000,000	26,235,000	-	-	26,235,000
5/9/2013	8/1/2031	2.00%-5.00%	40,500,000	37,840,000	-	950,000	36,890,000
7/9/2015	8/1/2044	2.00%-5.00%	37,000,000	36,145,000	-	-	36,145,000
8/10/2016	8/1/2024	N/A	6,000,000	4,970,000	-	1,060,000	3,910,000
8/31/2016	8/1/2045	3.00%-4.00%	12,000,000	12,000,000	-	-	12,000,000
8/31/2016	8/1/2032	3.00%-5.00%	16,410,000	16,410,000	-	-	16,410,000
6/14/2017	8/1/2046	2.00%-5.00%	30,000,000	30,000,000	-	280,000	29,720,000
9/6/2018	8/1/2046	3.13%-4.00%	14,000,000	-	14,000,000	-	14,000,000
				$ 218,316,980	$ 16,222,891	$ 7,005,000	$ 227,534,871

2001 Election General Obligation Bonds, Series B

On June 19, 2003, the District issued the $30,000,000 2001 Election General Obligation Bonds, Series B. The Series B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $29,170,000, and an aggregate principal debt service balance of $59,170,000. The bonds have a final maturity to occur June 1, 2028, with interest rates of 2.20 to 5.20 percent. Proceeds from the sale of the bonds were used to improve health and safety conditions of neighborhood schools, relieve classroom overcrowding, replace inadequate electrical, heating and ventilation systems, roofs, plumbing, and sewer systems, renovate outdated science laboratories, and renovate and/or add classrooms and other facilities. At June 30, 2019, the principal balance outstanding of the 2001 Election General Obligation Bonds, Series B was $23,689,914. Unamortized premium received on issuance of the bonds amounted to $292,653 as of June 30, 2019.

2006 Election General Obligation Bonds, 2007 Series B

On October 3, 2007, the District issued the $18,999,949 2006 Election General Obligation Bonds, 2007 Series B. The 2007 Series B bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting $19,460,051, and an aggregate principal debt service balance of $38,460,000. The bonds have a final maturity to occur on August 1, 2032, with interest rate yields of 3.50 to 5.25 percent. Proceeds from the sale of the bonds were used to repair or replace deteriorating plumbing, restrooms, heating, ventilation, and electrical systems; upgrade classroom technology and computers, construct new library/media centers, and upgrade inadequate classrooms, equipment, school facilities and grounds. At June 30, 2019, the principal balance outstanding of the 2006 Election General Obligation Bonds, 2007 Series B was $18,999,957. Unamortized premium received on issuance of the bonds amounted to $236,102 as of June 30, 2019.

2001 Election General Obligation Refunding Bonds, 2011 Series A

On December 6, 2011, the District issued the $13,495,000 2001 Election General Obligation Refunding Bonds, 2011 Series A. The bonds have a final maturity to occur on August 1, 2026, with interest rate yields of 3.00 to 5.25 percent. The net proceeds of $15,050,332 (representing the principal amount of $13,495,000 plus premium on issuance of $1,555,332) from the issuance were used to advance refund the District's outstanding 2001 Election 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, 2012. At June 30, 2019, the principal balance outstanding on the 2001 Election General Obligation Refunding Bonds, 2011 Series A was $9,535,000. Unamortized premium received on issuance of the bonds amounted to $881,352 as of June 30, 2019.

2012 General Obligation Bonds, Series A

On May 9, 2013, the District issued the $30,000,000 2012 General Obligation Bonds, Series A. The Series A bonds represent the first series of the authorized bonds to be issued under the authorization as approved by voters. The bonds were issued as current interest bonds. The bonds have a final maturity to occur August 1, 2052, with interest rate yields of 2.00 to 4.15 percent. Proceeds from the bonds will be used to finance repair, upgrading, acquisition, construction and equipping school property and facilities approved by the voters and pay costs associated with the issuance of the bonds. At June 30, 2019, the principal balance outstanding was $26,235,000. Unamortized premium received on issuance of the bonds amounted to $918,866 as of June 30, 2019.

2013 General Obligation Refunding Bonds

On May 9, 2013, the District issued the $40,500,000 2013 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2031, with interest rate yields of 2.00 to 5.00 percent. The net proceeds of $46,380,717 (representing the principal amount of $40,500,000 plus premium on issuance of $5,880,717) from the issuance were used to advance refund the District's outstanding 2006 General Obligation Bonds, 2006 Series A and to pay the costs of issuance associated with the refunding bonds. At June 30, 2019, the principal balance outstanding was $36,890,000. Unamortized premium received on issuance of the bonds amounted to $2,714,177 as of June 30, 2019.

2012 General Obligation Bonds, Series B

On July 9, 2015, the District issued the 2012 General Obligation Bonds, Series B in the amount of $37,000,000 with interest rate yields of 2.00 to 5.00 percent. The 2012 General Obligation Bonds, Series B have a final maturity to occur on August 1, 2044. The net proceeds of $39,327,472 (representing the principal amount of $37,000,000 and premium of $2,711,727 less cost of issuance of $384,255) from the issuance will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the cost of issuing the bonds. At June 30, 2019, the principal balance outstanding was $36,145,000. Unamortized premium received on issuance of the bonds amounted to $2,337,695 as of June 30, 2019.

2012 General Obligation Bonds, Series C-1 (Qualified Zone Academy Bonds)

On August 10, 2016, the District issued the $6,000,000 2016 General Obligation Bonds, Series C-1 Tax Credit Bonds. The bonds have a final maturity to occur on August 1, 2024 and offer a tax credit rate of 3.93% and do not bear interest. The net proceeds of $5,900,434 (representing the principal amount of $6,000,000 less cost of issuance of $99,566) from the issuance will be used to finance the repair, upgrading and equipping of certain District property and facilities and pay the cost of issuing the Bonds. At June 30, 2019, the principal balance outstanding was $3,910,000.

2012 General Obligation Bonds, Series C

On August 31, 2016, the District issued the 2012 General Obligation Bonds, Series C in the amount of $12,000,000 with interest rate yields of 3.00 to 4.00 percent. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2045. The net proceeds of $12,783,927 (representing the principal amount of $12,000,000 and premium of 952,509, less cost of issuance of $168,582) from the issuance will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and pay the cost of issuing the Bonds. At June 30, 2019, the principal balance outstanding was $12,000,000. Unamortized premium received on issuance of the bonds amounted to $853,973 as of June 30, 2019.

2016 General Obligation Refunding Bonds (2019 Crossover)

On August 31, 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of $16,410,000 with interest rate yields of 3.00 to 5.00 percent. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2032. The net proceeds of $19,714,714 (representing the principal amount of $16,410,000 and premium of 3,512,981, less cost of issuance of $208,267) from the issuance will be used to advance refund on the crossover date of August 1, 2019, certain of the District's outstanding 2006 Election General Obligation Bonds, 2007 Series B and pay the cost of issuing the Refunding Bonds. At June 30, 2019, the principal balance outstanding was $16,410,000. Unamortized premium received on issuance of the bonds amounted to $2,854,298 as of June 30, 2019.

2012 General Obligation Bonds, Series D

On June 14, 2017, the District issued the 2012 General Obligation Bonds, Series D in the amount of $30,000,000 with interest rate yields of 2.00 to 5.00 percent. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2046. The net proceeds of $29,870,472 (representing the principal amount of $30,000,000 and premium of 198,431, less cost of issuance of $327,959) from the issuance will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and pay the cost of issuing the Bonds. At June 30, 2019, the principal balance outstanding was $29,720,000. Unamortized premium received on issuance of the bonds amounted to $184,743 as of June 30, 2019.

2012 General Obligation Bonds, Series E

On September 6, 2018, the District issued the 2012 General Obligation Bonds, Series E in the amount of $14,000,000 with interest rate yields of 3.13 to 4.00 percent. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2046. The net proceeds of $15,697,183 (representing the principal amount of $14,000,000 and premium of 1,888,958, less cost of issuance of $191,775) from the issuance will be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and pay the cost of issuing the Bonds. At June 30, 2019, the principal balance outstanding was $14,000,000. Unamortized premium received on issuance of the bonds amounted to $1,821,495 as of June 30, 2019.

Debt Service Requirements to Maturity

The bonds mature through 2053 as follows:

Fiscal Year	Principal Including Accreted Interest To Date	Accreted Interest	Current Interest	Total
2020	$ 7,057,131	$ 152,869	$ 8,202,691	$ 15,412,691
2021	7,867,943	352,057	7,807,938	16,027,938
2022	7,801,042	558,958	7,670,526	16,030,526
2023	7,724,797	775,203	7,525,213	16,025,213
2024	8,369,398	1,000,602	7,357,513	16,727,513
2025-2029	45,604,763	8,190,237	33,379,228	87,174,228
2030-2034	40,824,797	6,075,203	25,824,073	72,724,073
2035-2039	21,315,000	-	19,909,904	41,224,904
2040-2044	36,275,000	-	13,701,462	49,976,462
2045-2049	34,695,000	-	4,971,000	39,666,000
2050-2053	10,000,000	-	949,050	10,949,050
Total	$ 227,534,871	$ 17,105,129	$ 137,298,598	$ 381,938,598

Qualified Zone Academy Bonds (QZAB)

On December 19, 2008, the District entered into a lease-lease back agreement whereby the District is leasing Fairvalley High School from the Covina-Valley Unified School District Facilities Finance Corporation in exchange for repaying the QZABs. The purpose of the agreement was to provide $5,000,000 for financing the cost of purchasing equipment and certain improvements to the property. The financing for the improvements is proved by the issuance of QZABs, pursuant to Section 1397E of the Internal Revenue Code. The District is required to make annual repayments, which will be invested in a special fund. The repayments, along with the interest earned, is expected to be sufficient to pay the remaining principal on the bonds. At June 30, 2019, the outstanding balance on the QZABs is $1,791,123.

Year Ending June 30,	Principal	Interest	Total
2020	$ 415,564	$ 17,911	$ 433,475
2021	436,342	13,756	450,098
2022	458,159	9,392	467,551
2023	481,058	4,811	485,869
Total	$ 1,791,123	$ 45,870	$ 1,836,993

Early Retirement Incentives

During the 2007-2008 school year, the District adopted a supplemental retirement plan whereby certain eligible certificated and classified employees are provided an annuity to supplement the retirement benefits they are entitled to through their respective retirement systems. The criteria for participation were as follows: employees must be employed by the District as of February 12, 2008, eligible to retire under CalSTRS or CalPERS as of June 30, 2008, have resigned from the District after the completion of the 2007-2008 school year on or before June 30, 2008, have retired from CalSTRS or CalPERS no later than July 1, 2008, and have applied for benefits under this plan. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 102 employees, were purchased from Pacific Life Insurance Company.

As of June 30, 2019, the balance of obligations associated with the supplemental retirement plans was $187,500. The early retirement incentives have future payments as follows:

Year Ending June 30,	Payment
2020	$ 63,000
2021	44,500
2022	31,000
2023	24,500
2024	18,500
2025	6,000
Total	$ 187,500

Capital Leases

The District has entered into agreements to install various HVAC systems, lighting retrofits and controls and to acquire equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Equipment
Balance, July 1, 2018	$ 2,733,048
Additions	874,172
Payments	(605,277)
Balance, June 30, 2019	$ 3,001,943

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 605,277
2021	605,277
2022	605,277
2023	386,734
2024	386,734
2025-2028	412,644
Total	3,001,943
Less: Amount Representing Interest	(230,267)
Present Value of Minimum Lease Payments	$ 2,771,676

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 10,581,951	$ 299,633	$ 271,751	$ 364,366
Medicare Premium Payment (MPP) Program	812,218	-	-	(82,134)
Total	$ 11,394,169	$ 299,633	$ 271,751	$ 282,232

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Management of the Plan is vested in the District management.

Plan Membership

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	57
Active employees	966
	1,023

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.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Covina Unified Education Association (CUEA), the local California Service Employees Association (CSEA), the Covina-Valley Associated of School Psychologists (CVASP), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, CUEA, CSEA, CVASP, and the unrepresented groups. For fiscal year 2018-2019, the District paid $727,580 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $10,581,951 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent
Discount rate	3.13 percent
Healthcare cost trend rates	5.00 percent for 2018 and thereafter

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

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actual experience study for the period July 1, 2015 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 10,217,585
Service cost	402,196
Interest	356,824
Changes of assumptions or other inputs	332,926
Benefit payments	(727,580)
Net change in total OPEB liability	364,366
Balance at June 30, 2019	$ 10,581,951

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62 percent to 3.13 percent since the previous valuation. There were no changes to benefit terms since the previous valuation.

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 (2.13%)	$ 11,271,382
Current discount rate (3.13%)	10,581,951
1% increase (4.13%)	9,908,059

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 (4.00%)	$ 9,863,896
Current healthcare cost trend rate (5.00%)	10,581,951
1% increase (6.00%)	11,428,921

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources for changes of assumptions of $299,633 and $271,751, respectively.

Amounts reported as deferred outflows/(inflows) of resources related to changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 10.0 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 552
2021	552
2022	552
2023	552
2024	552
Thereafter	25,122
	$ 27,882

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, 2017 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.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $812,218 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, respectively, was 0.2122 percent and 0.2126 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(82,134).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
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, 2017, 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 our 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. 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 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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 (2.87%)	$ 898,354
Current discount rate (3.87%)	812,218
1% increase (4.87%)	734,444

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 Medicare Costs trend rates, 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 Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 740,661
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	812,218
1% increase (4.7% Part A and 5.1% Part B)	889,176

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $1,739,542.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2019, amounted to $2,557,209, using a discount factor of 0.95 percent.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 35,000	$ -	$ -	$ -	$ 35,000
Stores inventories	42,410	-	-	70,827	113,237
Prepaid expenditures	1,286,803	-	-	-	1,286,803
Total Nonspendable	1,364,213	-	-	70,827	1,435,040
Restricted					
Legally restricted programs	5,904,553	-	-	10,176,693	16,081,246
Capital projects	-	18,607,647	-	1,658,193	20,265,840
Debt services	-	-	18,651,451	10,035,269	28,686,720
Total Restricted	5,904,553	18,607,647	18,651,451	21,870,155	65,033,806
Assigned					
Adult education program	-	-	-	62,464	62,464
Cafeteria program	-	-	-	53,047	53,047
Saturday incentive monies	320,273	-	-	-	320,273
Covina High School S/C Carryover	18,884	-	-	-	18,884
Textbook adoption	400,000	-	-	-	400,000
Capital projects	-	-	-	1,556,880	1,556,880
Total Assigned	739,157	-	-	1,672,391	2,411,548
Unassigned					
Reserve for economic uncertainties	4,594,581	-	-	-	4,594,581
Remaining unassigned	16,360,536	-	-	-	16,360,536
Total Unassigned	20,955,117	-	-	-	20,955,117
Total	$ 28,963,040	$ 18,607,647	$ 18,651,451	$ 23,613,373	$ 89,835,511

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; injuries to employees and natural disasters. During the fiscal year ending June 30, 2019, the District was self-insured for property and liability coverage, and participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) risk management pool for amounts in excess of the District's member retention limit $25,000 for property and liability claims.

Workers' Compensation

For the fiscal year of 2018-2019, the District was self-funded for its workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. The District's self-insured retention limit for the 2018-2019 fiscal year was $250,000. Excess liability coverage for workers' compensation claims is provided by Schools Excess Liability Fund (SELF) public entity risk pool, through ASCIP.

Employee Medical Benefits

The District has contracted with various vendors to provide employee health benefits through the purchase of commercial insurance. Kaiser and Anthem Blue Cross provide medical care, Delta Dental and Delta Care provide dental care, VSP provides vision care and Mutual of Omaha provides life insurance. In addition, the District has contracted with Southern California Schools Employee Benefits Association (SCSEBA), a joint powers authority, to provide employee medical benefits. SCSEBA obtains benefit programs on behalf of the District through the purchase of commercial insurance. Rates are set through an annual calculation process.

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

	Workers' Compensation
Liability Balance, July 1, 2017	$ 2,670,335
Claims and changes in estimates	418,296
Claims payments	(504,624)
Liability Balance, June 30, 2018	2,584,007
Claims and changes in estimates	579,631
Claims payments	(606,429)
Liability Balance, June 30, 2019	$ 2,557,209
Assets available to pay claims at June 30, 2019	$ 4,659,460

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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 108,653,817	$ 35,630,097	$ 14,464,172	$ 12,917,905
CalPERS	39,476,294	10,896,889	418,997	7,320,096
Total	$ 148,130,111	$ 46,526,986	$ 14,883,169	$ 20,238,001

The details of each plan are as follows:

<u>California State Teachers' Retirement System (CalSTRS)</u>

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, 2017, 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.

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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $10,759,954.

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

At June 30, 2019, 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	$ 108,653,817
State's proportionate share of the net pension liability associated with the District	62,209,392
Total	$ 170,863,209

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.1182 percent and 0.1174 percent, resulting in a net increase in the proportionate share of 0.0008 percent.

For the year ended June 30, 2019, the District recognized pension expense of $12,917,905. In addition, the District recognized pension expense and revenue of $7,308,201 for support provided by the State. At June 30, 2019, 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	$ 10,759,954	$ -
Net change in proportionate share of net pension liability	7,653,549	8,702,058
Differences between projected and actual earnings on pension plan investments	-	4,183,858
Differences between expected and actual experience in the measurement of the total pension liability	336,931	1,578,256
Changes of assumptions	16,879,663	-
Total	$ 35,630,097	$ 14,464,172

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
2020	$ 908,434
2021	(659,183)
2022	(3,510,094)
2023	(923,015)
Total	$ (4,183,858)

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
2020	$ 3,000,881
2021	3,000,881
2022	3,000,881
2023	1,566,653
2024	3,946,101
Thereafter	74,432
Total	$ 14,589,829

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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, 2018, 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%

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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 159,165,127
Current discount rate (7.10%)	108,653,817
1% increase (8.10%)	66,775,039

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, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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.

Benefits Provided

CalPERS provides 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be 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, 2019, are presented above and the total District contributions were $3,726,234.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $39,476,294. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.1481 percent and 0.1458 percent, resulting in a net increase in the proportionate share of 0.0023 percent.

For the year ended June 30, 2019, the District recognized pension expense of $7,320,096. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,726,234	$ -
Net change in proportionate share of net pension liability	317,406	418,997
Differences between projected and actual earnings on pension plan investments	323,794	-
Differences between expected and actual experience in the measurement of the total pension liability	2,587,921	-
Changes of assumptions	3,941,534	-
Total	$ 10,896,889	$ 418,997

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
2020	$ 1,177,710
2021	281,639
2022	(902,549)
2023	(233,006)
Total	$ 323,794

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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,728,533
2021	2,741,110
2022	958,221
Total	$ 6,427,864

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

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%)	$ 57,475,596
Current discount rate (7.15%)	39,476,294
1% increase (8.15%)	24,543,296

Tax Deferred Annuity/Social Security

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 Social Security as its alternative plan. District and employee contributions are determined by statute.

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 $5,064,234 (7.662 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule* and *Schedule of Financial Trends and Analysis*.

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, 2019.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2020	$ 525,862
2021	525,862
2022	525,862
Total	$ 1,577,586

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Children Center conversion	$ 127,076	June 30, 2020
Covina, Northview, and South Hills High Schools' cafés	1,293,850	June 30, 2020
Covina, Northview, and South Hills High Schools' QZAB projects	240,000	June 30, 2020
Federal Technology installation of clocks and speakers	43,901	June 30, 2020
	$ 1,704,827	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Southern California Schools Employee Benefits Association (SCSEBA), joint power authority, and the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool and, through participation in ASCIP, the Schools Excess Liability Fund (SELF) public entity risk pool. The District pays an annual premium to SCSEBA and ASCIP for its medical and property/liability and workers' compensation excess liability coverage, respectively. 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, 2019, the District made a payment of $12,020,178 and $934,921 to SCSEBA and ASCIP, respectively, for services received.

NOTE 15 - SUBSEQUENT EVENTS

On September 5, 2018, the District issued the 2019 General Obligation Refunding Bonds in the amount of $58,690,000 with interest rate yields of 1.87 percent to 3.26 percent. The 2019 General Obligation Refunding Bonds, have a final maturity to occur on August 1, 2049. The net proceeds of $58,172,084 (representing the principal amount of $58,690,000 less cost of issuance of $517,916) from the issuance will be used to advance refund a portion of the District's outstanding 2001 Election General Obligation Refunding Bonds; 2013 General Obligation Refunding Bonds; 2012 General Obligation Bonds, Series A; and to pay the costs of issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 117,704,327	$ 118,847,090	$ 118,835,160	$ (11,930)
Federal sources	6,612,477	8,024,217	8,051,956	27,739
Other State sources	20,964,226	20,472,281	20,860,532	388,251
Other local sources	5,397,039	6,148,635	6,050,978	(97,657)
Total Revenues [1]	150,678,069	153,492,223	153,798,626	306,403
EXPENDITURES				
Current				
Certificated salaries	65,207,124	67,617,132	67,106,941	510,191
Classified salaries	21,951,129	21,118,757	20,994,599	124,158
Employee benefits	36,856,873	38,124,328	37,613,847	510,481
Books and supplies	6,529,684	4,964,212	6,222,309	(1,258,097)
Services and operating expenditures	15,112,037	16,294,102	15,804,422	489,680
Capital outlay	-	77,177	964,382	(887,205)
Other outgo	5,729,376	5,254,400	4,531,504	722,896
Total Expenditures [1]	151,386,223	153,450,108	153,238,004	212,104
Excess (Deficiency) of Revenues Over Expenditures	(708,154)	42,115	560,622	518,507
Other Financing Sources (Uses)				
Transfers in	100,000	200,000	200,000	-
Other sources	-	-	856,358	856,358
Transfers out	(810,000)	(733,324)	(771,066)	(37,742)
Net Financing Sources (Uses)	(710,000)	(533,324)	285,292	818,616
NET CHANGE IN FUND BALANCES	(1,418,154)	(491,209)	845,914	1,337,123
Fund Balance - Beginning	28,117,126	28,117,126	28,117,126	-
Fund Balance - Ending	$ 26,698,972	$ 27,625,917	$ 28,963,040	$ 1,337,123

[1] On behalf payments of $5,865,773 relating to Senate Bill 90 are not included in actual revenues and expenditures and have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

SPECIAL EDUCATION PASS-THROUGH FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Federal sources	$ 17,334,973	$ 17,640,919	$ 20,842,780	$ 3,201,861
Other State sources	42,759,557	41,223,396	42,690,318	1,466,922
Other local sources	9,000	9,000	-	(9,000)
Total Revenues	60,103,530	58,873,315	63,533,098	4,659,783
EXPENDITURES				
Current				
Other outgo	60,094,530	58,864,315	63,533,098	(4,668,783)
NET CHANGE IN FUND BALANCES	9,000	9,000	-	(9,000)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	$ 9,000	$ 9,000	$ -	$ (9,000)

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 402,196	$ 422,957
Interest	356,824	315,900
Changes of assumptions	332,926	(337,233)
Benefit payments	(727,580)	(549,129)
Net change in total OPEB liability	364,366	(147,505)
Total OPEB liability - beginning	10,217,585	10,365,090
Total OPEB liability - ending	$ 10,581,951	$ 10,217,585
Covered payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

[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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.2122%	0.2126%
District's proportionate share of the net OPEB liability	$ 812,218	$ 894,352
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

[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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.1182%	0.1174%
District's proportionate share of the net pension liability	$ 108,653,817	$ 108,591,245
State's proportionate share of the net pension liability associated with the District	62,209,392	64,241,663
Total	$ 170,863,209	$ 172,832,908
District's covered-employee payroll	$ 63,822,509	$ 61,213,831
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.24%	177.40%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.1481%	0.1458%
District's proportionate share of the net pension liability	$ 39,476,294	$ 34,812,642
District's covered-employee payroll	$ 19,822,272	$ 17,839,653
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.15%	195.14%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.1135%	0.1341%	0.1182%
$ 91,798,380	$ 90,277,985	$ 69,056,755
52,259,180	47,747,102	41,699,450
$ 144,057,560	$ 138,025,087	$ 110,756,205
$ 58,100,774	$ 59,108,536	$ 55,766,890
158.00%	152.73%	123.83%
70%	74%	77%
0.1491%	0.1534%	0.1556%
$ 29,454,884	$ 22,605,993	$ 17,659,852
$ 17,750,663	$ 17,503,424	$ 16,402,026
165.94%	129.15%	107.67%
74%	79%	83%

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 10,759,954	$ 9,209,588
Contributions in relation to the contractually required contribution	10,759,954	9,209,588
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 66,093,084	$ 63,822,509
Contributions as a percentage of covered-employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 3,726,234	$ 3,078,597
Contributions in relation to the contractually required contribution	3,726,234	3,078,597
Contribution deficiency (excess)	$ -	$ -
CalPERS District's covered-employee payroll	$ 20,630,240	$ 19,822,272
Contributions as a percentage of covered-employee payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

	2017		2016		2015
$	7,700,700	$	6,234,213	$	5,248,838
	7,700,700		6,234,213		5,248,838
$	-	$	-	$	-
$	61,213,831	$	58,100,774	$	59,108,536
	12.58%		10.73%		8.88%
$	2,477,571	$	2,102,921	$	2,060,153
	2,477,571		2,102,921		2,060,153
$	-	$	-	$	-
$	17,839,653	$	17,750,663	$	17,503,424
	13.888%		11.847%		11.771%

NOTE OF REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

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.

These schedules present 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, 2019, the District's Special Education Pass-Through Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Financing Uses		
	Budget	Actual	Excess
Special Education Pass-Through Fund	$ 58,864,315	$ 63,533,098	$ 4,668,783

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, the Plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

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

Changes of Assumptions - The OPEB discount rate assumption was changed from 3.62 percent to 3.13 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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 3.58 percent to 3.87 percent since the previous valuation.

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* -** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Federal Pell Grant Program (PELL)	84.063	[1]	$ 172,378	$ -
Passed through California Department of Education (CDE)				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,722,210	-
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	9,511	-
Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	7,000	-
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	343,086	-
Title III, English Learner Student Program	84.365	14346	160,265	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	148,416	-
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	87,056	-
Adult Basic Education & ELA (Section 231)	84.002A	14508	26,609	-
Adult Secondary Education (Section 231)	84.002A	13978	151,250	-
Adult Education: English Literacy and Civics Education	84.002A	14109	10,640	-
Special Education (IDEA) Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	21,009,481	18,396,512
IDEA Preschool Grants, Part B, Section 619	84.173	13430	556,617	492,921
IDEA Preschool Local Entitlement, Part B, Section 611	84.027A	13682	519,523	519,523
IDEA Mental Health Average Daily Attendance Allocation, Part B, Sec 611	84.027A	15197	1,402,404	1,315,344
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	5,362	4,749
IDEA Supporting Inclusive Practices	84.027A	13693	47,975	-
IDEA Alternative Dispute Resolution, Part Bm Section 611	84.173A	13007	6,018	-
Subtotal Special Education (IDEA) Cluster			23,547,380	20,729,049
IDEA Early Intervention Grants, Part C	84.181	23761	284,328	113,731
Total U.S. Department of Education			27,670,129	20,842,780
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education (CDE)				
Child Nutrition Cluster				
National School Lunch Program	10.555	13523	2,972,379	-
Especially Needy Breakfast Program	10.553	13526	998,241	-
Summer Food Service Program Operations	10.559	13004	256,834	-
Meal Supplement	10.556	13392	39,550	-
Food Distribution	10.555	13523	459,351	-
Subtotal Child Nutrition Cluster			4,726,355	-
Child and Adult Care Food Program	10.558	13393	400,376	-
Total U.S. Department of Agriculture			5,126,731	-

[1] Direct Award

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through California Department of Health Services				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	$ 260,731	$ -
Medi-Cal Administrative Activities (MAA)	93.778	10060	334,338	-
Subtotal Medicaid Cluster			595,069	-
Child Care and Development Fund (CCDF) Cluster				
Child Development: Federal General and State Preschool	93.575	15136	78,647	-
Child Development: Federal General and State Preschool	93.596	13609	177,713	-
Subtotal CCDF Cluster			256,360	-
Total U.S. Department of Health and Human Services			851,429	-
Total Schedule of Expenditures of Federal Awards			$ 33,648,289	$ 20,842,780

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Covina-Valley Unified School District (the District) was unified on December 15, 1959 under the laws of the State of California. The District operates under a locally elected five-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 nine elementary schools, three middle schools, three high schools, an alternative high school, a children's center program and adult education centers. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Sue L. Maulucci	President	2020
Gary C. Rodriguez	Vice President	2022
Sonia Frasquillo	Clerk	2020
Rachael Robles	Member	2022
Darrell A. Myrick	Member	2020

ADMINISTRATION

NAME	TITLE
Richard M. Sheehan, Ed.D.	Superintendent of Schools
Michele Doll, Ed.D.	Assistant Superintendent, Personnel Services
Elizabeth Eminhizer, Ed.D.	Assistant Superintendent, Educational Services
Robert McEntire, Ed.D.	Assistant Superintendent, Business Services/Chief Business Officer

See accompanying note to supplementary information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report*	Annual Report*
Regular ADA		
Transitional kindergarten through third	3,122.39	3,139.55
Fourth through sixth	2,300.24	2,294.62
Seventh and eighth	1,691.88	1,683.74
Ninth through twelfth	4,101.17	4,081.40
Total Regular ADA	11,215.68	11,199.31
Extended Year Special Education		
Transitional kindergarten through third	3.96	3.96
Fourth through sixth	3.66	3.66
Seventh and eighth	3.90	3.90
Ninth through twelfth	12.66	12.66
Total Extended Year Special Education	24.18	24.18
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.00	1.07
Fourth through sixth	7.11	7.15
Seventh and eighth	6.43	6.24
Ninth through twelfth	15.07	14.74
Total Special Education, Nonpublic, Nonsectarian Schools	29.61	29.20
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.11	0.11
Fourth through sixth	0.50	0.50
Seventh and eighth	0.29	0.39
Ninth through twelfth	1.74	1.63
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.64	2.63
Community Day School		
Seventh and eighth	0.56	0.42
Ninth through twelfth	5.04	4.49
Total Community Day School	5.60	4.91
Total ADA	11,277.71	11,260.23

* The District revised the Second Period and Annual Reports on July 29, 2019.

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	41,655	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,300	180	N/A	Complied
Grade 2		53,300	180	N/A	Complied
Grade 3		53,300	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,670	180	N/A	Complied
Grade 5		54,670	180	N/A	Complied
Grade 6		60,901	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		60,901	180	N/A	Complied
Grade 8		60,901	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,752	180	N/A	Complied
Grade 10		66,752	180	N/A	Complied
Grade 11		66,752	180	N/A	Complied
Grade 12		66,752	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND [2]				
Revenues	$ 153,186,370	$ 153,798,626	$ 145,828,160	$ 146,209,656
Other sources and transfers in	200,000	1,056,358	100,000	4,073,575
Total Revenues and Other Sources	153,386,370	154,854,984	145,928,160	150,283,231
Expenditures	156,522,698	153,238,004	144,126,850	144,355,828
Other uses and transfers out	733,324	771,066	1,054,465	1,030,667
Total Expenditures and Other Uses	157,256,022	154,009,070	145,181,315	145,386,495
INCREASE (DECREASE) IN FUND BALANCE	$ (3,869,652)	$ 845,914	$ 746,845	$ 4,896,736
ENDING FUND BALANCE	$ 25,093,388	$ 28,963,040	$ 28,117,126	$ 27,370,281
AVAILABLE RESERVES [3]	$ 17,007,203	$ 20,955,117	$ 19,925,344	$ 19,996,847
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	10.81%	13.61%	13.72%	13.75%
LONG-TERM OBLIGATIONS	N/A	$ 261,071,444	$ 250,892,368	$ 258,019,019
K-12 AVERAGE DAILY ATTENDANCE AT P-2	11,148	11,278	11,426	11,603

The General Fund balance has increased by $1,592,759 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $3,869,652 (13.36 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years, but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $3,052,425 over the past two years.

Average daily attendance has decreased by 325 over the past two years. An additional decline of 130 ADA is anticipated during fiscal year 2019-2020.

1 Budget 2020 is included for analytical purposes only and has not been subjected to audit.

2 On behalf payments of $5,865,773 relating to Senate Bill 90 are not included in actual revenues and expenditures and have not been included in the budgeted amounts.

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 2,845,709	$ 863,907	$ 5,484,798
Receivables	408,296	375,779	837,845
Stores inventories	36,013	-	34,814
Total Assets	$ 3,290,018	$ 1,239,686	$ 6,357,457
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 203,085	$ 198,067	$ 122,978
Fund Balances:			
Nonspendable	36,013	-	34,814
Restricted	2,988,456	1,041,619	6,146,618
Assigned	62,464	-	53,047
Total Fund Balances	3,086,933	1,041,619	6,234,479
Total Liabilities and Fund Balances	$ 3,290,018	$ 1,239,686	$ 6,357,457

See accompanying note to supplementary information.

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
	$ 1,796,470	$ 1,549,027	$ 10,035,269	$ 22,575,180
	9,159	7,853	-	1,638,932
	-	-	-	70,827
	$ 1,805,629	$ 1,556,880	$ 10,035,269	$ 24,284,939
	$ 147,436	$ -	$ -	671,566
	-	-	-	70,827
	1,658,193	-	10,035,269	21,870,155
	-	1,556,880	-	1,672,391
	1,658,193	1,556,880	10,035,269	23,613,373
	$ 1,805,629	$ 1,556,880	$ 10,035,269	$ 24,284,939

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	$ 360,877	$ 256,360	$ 5,126,731
Other State sources	3,883,676	1,860,446	425,698
Other local sources	739,761	1,610,999	875,766
Total Revenues	4,984,314	3,727,805	6,428,195
EXPENDITURES			
Current			
Instruction	2,206,453	1,710,989	-
Instruction-related activities:			
Supervision of instruction	30,653	135,619	-
School site administration	1,178,731	48,147	-
Pupil services:			
Food services	-	-	6,192,060
All other pupil services	287,144	1,020,968	-
Administration:			
All other administration	165,558	103,746	290,120
Plant services	258,285	123,517	33,110
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	4,126,824	3,142,986	6,515,290
Excess (Deficiency) of Revenue Over Expenditures	857,490	584,819	(87,095)
Other Financing Sources (Uses)			
Transfers in	-	-	23,779
Other sources - bond premium	-	-	-
Transfers out	-	(200,000)	-
Net Financing Sources (Uses)	-	(200,000)	23,779
NET CHANGE IN FUND BALANCES	857,490	384,819	(63,316)
Fund Balance - Beginning	2,229,443	656,800	6,297,795
Fund Balance - Ending	$ 3,086,933	$ 1,041,619	$ 6,234,479

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 5,743,968
-	-	96,130	6,265,950
737,723	31,668	13,806,319	17,802,236
737,723	31,668	13,902,449	29,812,154
-	-	-	3,917,442
-	-	-	166,272
-	-	-	1,226,878
-	-	-	6,192,060
-	-	-	1,308,112
21,289	-	-	580,713
54,280	767,963	-	1,237,155
147,436	-	-	147,436
-	-	7,005,000	7,005,000
-	-	6,875,672	6,875,672
223,005	767,963	13,880,672	28,656,740
514,718	(736,295)	21,777	1,155,414
-	747,287	-	771,066
-	-	1,888,958	1,888,958
-	-	-	(200,000)
-	747,287	1,888,958	2,460,024
514,718	10,992	1,910,735	3,615,438
1,143,475	1,545,888	8,124,534	19,997,935
$ 1,658,193	$ 1,556,880	$ 10,035,269	$ 23,613,373

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances with the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances		$ 34,638,704
Medi-Cal Billing Option	93.778	(272,509)
Medi-Cal Administrative Activities (MAA)	93.778	(717,906)
Total Schedule of Expenditures of Federal Awards		$ 33,648,289

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met 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 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.

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

CPAs & BUSINESS ADVISORS

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
Covina-Valley Unified School District
Covina, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covina-Valley Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the District in a separate letter dated November 26, 2019.

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
November 26, 2019

EideBailly

CPAs & BUSINESS ADVISORS

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

Governing Board
Covina-Valley Unified School District
Covina, California

Report on Compliance for Each Major Federal Program

We have audited Covina-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 the District's major Federal programs for the year ended June 30, 2019. The 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 the 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control over Compliance

Management of the 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 the 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 the 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.

Eide Bailly LLP

Rancho Cucamonga, California
November 26, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Covina-Valley Unified School District
Covina, California

Report on State Compliance

We have audited Covina-Valley Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 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 District's State government programs as noted below for the year ended June 30, 2019.

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 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 *2018-2019 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 the 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 the 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, the District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts, finding 2019-001. Compliance with such requirements is necessary, in our opinion, for the 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, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Programs

In our opinion, the 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, 2019, except as described in the Schedule of State Awards Findings and Questions 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 District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
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
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
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

We did not perform testing over Independent Study because ADA for this program was below the materiality threshold as indicated in the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*.

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 any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

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 District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District did not receive any funding for the California Clean Energy Jobs Act Program; therefore, we did not perform any procedures for the California Clean Energy Jobs Act 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 for the Independent Study-Course Based Program.

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

Eide Bailly LLP

Rancho Cucamonga, California
November 26, 2019

Schedule of Findings and Questioned Costs

COVINA-VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education (IDEA) Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,009,449
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

Unmodified for all State programs except for the following State program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2019-001 40000

Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was understated. It appears that the District omitted a total of 49 students for Free or Reduced-Price Meals on CALPADS Form 1.18 - FRPM/English Learner/Foster Youth - Student List.

Questioned Costs

The District under claimed the total enrollment by 52 pupils and total eligible FRPM pupils by 49, resulting in an increase of approximately $20,241 in LCFF funding.

Context

The condition was identified by the District during their internal review of the Form 1.18 based on the criteria as stated on the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.a: "Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a "No" under "Foster" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column) and verify there is a supporting documentation such as a FRPM eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE, that matches enrolled students against those children/households receiving CalFresh (or CalWORKs) benefits."

The District identified a population of 52 students which were not included on the originally submitted Form 1.18. Of these 52 students, 49 met the eligibility and documentation requirements for FRPM status for the 2018-2019 year. The auditor verified the eligibility supporting documentation for the 49 students noted.

Effect

The District appears to be under claiming total enrollment by 52 and total FRPM eligible pupil by 49 for an increase in funding of approximately $20,241. The schedule below shows the District-wide exceptions:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
District-Wide	11,533	8,137	52	49	11,585	8,186

Cause

The District identified a population of students that were not included in the CALPADS reporting system during the submission of the 2019-2020 Form 1.17 and Form 1.18 reports.

Recommendation

The District should ensure that all students who meet the requirements for LCFF funding are included in the Unduplicated Local Control Funding Formula Pupil Counts if they have satisfied the appropriate eligibility requirements.

Corrective Action Plan

The District will review and implement procedures to ensure that all appropriate pupils are reflected on the CALPADS 1.17 and 1.18 reports within the allowed time period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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 Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.

Management
Covina-Valley Unified School District
Covina, California

In planning and performing our audit of the financial statements of Covina-Valley Unified School District (the District) for the year ended June 30, 2019, 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 November 26, 2019, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Las Palmas Middle School

Observation

Six of the thirty-six deposits tested were not made in a timely manner. The days between receipt and deposit ranged between 14 to 61 days. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should 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.

Northview High School

Observations

The ASB made a disbursement to a consultant without following the applicable board policy. The consultant agreement was not approved by the board and the appropriate tax forms were not completed at the calendar year-end.

Recommendation

All consultant agreements should be approved by the board and processed according to board policy. Additionally, the District should develop procedures to ensure that all consultants that are considered to be independent contractors have the required tax documentation issued for the appropriate tax year.

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

Eide Bailly LLP

Rancho Cucamonga, California
November 26, 2019