

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
YEAR ENDED JUNE 30, 2020



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**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL SECTION	
FINANCIAL STATEMENTS	14
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	14
STATEMENT OF ACTIVITIES	15
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS – BALANCE SHEET	16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	17
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	18
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	19
PROPRIETARY FUNDS – STATEMENT OF NET POSITION	20
PROPRIETARY FUNDS – STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION	21
PROPRIETARY FUNDS – STATEMENT OF CASH FLOWS	22
FIDUCIARY FUNDS – STATEMENTS OF NET POSITION	23
NOTES TO FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND	68
SCHEDULE OF BUDGETARY COMPARISON FOR THE SPECIAL EDUCATION PASS-THROUGH FUND	69

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

SCHEDULE OF CHANGES IN THE DISTRICT’S TOTAL OPEB LIABILITY AND RELATED RATIOS	70
SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MEDICARE PREMIUM PAYMENT PLAN	71
SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	72
SCHEDULE OF DISTRICT CONTRIBUTIONS	73
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	74
SUPPLEMENTARY INFORMATION	
HISTORY AND ORGANIZATION	76
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)	77
SCHEDULE OF INSTRUCTIONAL TIME	78
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	79
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS	81
SCHEDULE OF CHARTER SCHOOLS	82
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS	83
NOTE TO SUPPLEMENTARY INFORMATION	84
OPTIONAL SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET	86
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	87
NOTE TO OPTIONAL SUPPLEMENTARY INFORMATION	88

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

OTHER INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	89
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	91
--	-----------

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE	93
---	-----------

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – SUMMARY OF AUDITOR RESULTS	96
---	-----------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – RELATED TO FINANCIAL STATEMENTS	97
--	-----------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – RELATED TO FEDERAL AWARDS	98
--	-----------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – RELATED TO STATE AWARDS	98
--	-----------

STATUS OF PRIOR YEAR FINDINGS	99
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INDEPENDENT AUDITORS' REPORT

Board of Education
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, 2020, 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.

Auditors' 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. 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, 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 and other required supplementary information as listed in the table of contents 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 supplementary schedules and statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Schedule of Average Daily Attendance (ADA), Schedule of Instructional Time, Schedule of Expenditures of Federal Awards, Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements, the Notes to the Supplementary Information and the combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The History and Organization, Schedule of Financial Trends and Analysis, and Schedule of Charter Schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
April 28, 2021

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020, with comparative information for the year ending June 30, 2019. 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.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 deferred outflows and liabilities and deferred inflows 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.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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*. 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 District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. 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.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(132,612,532) for the fiscal year ended June 30, 2020. Of this amount, \$(125,708,710) was unrestricted. Restricted net position is 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	
	2020	2019
Assets		
Current and Other Assets	\$ 109,375,583	\$ 139,326,084
Capital Assets	163,235,076	169,778,711
Total Assets	272,610,659	309,104,795
Deferred Outflows of Resources	49,868,980	46,826,619
Liabilities		
Current Liabilities	47,512,403	48,167,660
Long-Term Liabilities	391,995,561	409,201,555
Total Liabilities	439,507,964	457,369,215
Deferred Inflows of Resources	15,584,207	15,154,920
Net Position		
Net Investment in Capital Assets	(33,146,844)	(25,606,892)
Restricted	26,243,022	27,636,208
Unrestricted Deficit	(125,708,710)	(118,622,037)
Total Net Position (Deficit)	<u><u>\$(132,612,532)</u></u>	<u><u>\$(116,592,721)</u></u>

The \$(125,708,710) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 6,304,460	\$ 6,819,023
Operating Grants and Contributions	96,255,474	99,536,764
General Revenues:		
Federal and State Aid not Restricted	98,026,529	97,530,445
Property Taxes	40,872,246	40,353,515
Other General Revenues	1,672,484	7,477,180
Total Revenues	<u>243,131,193</u>	<u>251,716,927</u>
Expenses		
Instruction-Related	129,037,237	137,390,835
Pupil Services	17,203,766	18,983,209
Administration	9,927,760	9,690,863
Plant Services	20,650,256	19,374,059
All Other Services	82,331,985	77,317,279
Total Expenses	<u>259,151,004</u>	<u>262,756,245</u>
Change in Net Position	(16,019,811)	(11,039,318)
Net Position, Beginning of Year	<u>(116,592,724)</u>	<u>(105,553,406)</u>
Net Position, End of Year	<u><u>\$(132,612,535)</u></u>	<u><u>\$(116,592,724)</u></u>

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$259,151,004. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$40,872,246 because the cost was paid by those who benefited from the programs \$6,304,460 or by other governments and organizations who subsidized certain programs with grants and contributions \$96,255,474. We paid for the remaining "public benefit" portion of our governmental activities with \$98,026,529 in Federal and 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	
	2020	2019	2020	2019
Instruction-Related	\$ 129,037,237	\$ 137,390,835	\$ 92,729,150	\$ 103,124,562
Pupil Services	17,203,766	18,983,209	8,114,736	8,260,982
Administration	9,927,760	9,690,863	9,103,417	8,662,382
Plant Services	20,650,256	19,374,059	18,768,340	18,812,980
All Other Services	82,331,985	77,317,279	27,875,427	17,539,552
Total	<u>\$ 259,151,004</u>	<u>\$ 262,756,245</u>	<u>\$ 156,591,070</u>	<u>\$ 156,400,458</u>

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$65,912,387, which is a net decrease of \$23,923,124 from last year (Table 4).

Table 4

	Balance and Activity			
	July 1, 2019	Revenue and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General Fund	\$ 28,963,040	\$ 157,903,830	\$ 157,884,102	\$ 28,982,768
Special Education				
Pass-Through Fund	-	58,168,133	58,168,133	-
Building Fund	18,607,647	281,689	5,023,498	13,865,838
Bond Interest and				
Redemption Fund	10,035,269	72,521,394	72,817,001	9,739,662
Debt Service Fund	18,651,451	148,038	18,799,489	-
Adult Education Fund	3,086,933	4,736,959	4,114,363	3,709,529
Child Development Fund	1,041,619	3,486,307	3,486,697	1,041,229
Cafeteria Fund	6,234,479	5,120,368	5,799,699	5,555,148
Capital Facilities Fund	1,658,193	430,608	742,965	1,345,836
Special Reserve Fund for				
Capital Outlay Projects	1,556,880	1,691,355	1,575,858	1,672,377
Total	<u>\$ 89,835,511</u>	<u>\$ 304,488,681</u>	<u>\$ 328,411,805</u>	<u>\$ 65,912,387</u>

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 \$19,728.

- 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 \$0.679 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 decreased by \$4.74 million.
- The Bond Interest and Redemption Fund are used for the repayment of bonds issued by the District. The Bond Interest and Redemption fund decreased by \$.3 million.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

THE DISTRICT'S FUNDS (CONTINUED)

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 68.)

The anticipated ending balance for the General Fund was projected at \$22.0 million, based on final budgetary revisions through June 30, 2020. 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, 2020, the District had \$163,235,076 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 \$6,081,763, or 3.9 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and Construction in Progress	\$ 14,469,160	\$ 15,399,916
Building and Improvements	147,829,455	153,444,067
Equipment	936,461	934,728
Total	<u>163,235,076</u>	<u>169,778,711</u>

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

Several capital projects are planned for the 2020-2021 year. We present more detailed information about our capital assets in Note 7 to the financial statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

THE DISTRICT'S FUNDS (CONTINUED)

Long-Term Obligations

At the end of this year, the District had \$246,316,839 in long-term obligations outstanding versus \$250,892,368 last year, a decrease of 5.7 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2020	2019
General Obligation Bonds, Net (Financed with Property Taxes)	\$ 220,769,646	\$ 240,630,225
Qualified Zone Academy Bonds	1,375,559	1,791,123
Capitalized Leases	5,604,351	2,771,676
Compensated Absences	1,975,000	1,739,542
Early Retirement Incentives	124,500	187,500
Net Pension Liability	153,261,035	148,130,111
Net OPEB Liability	13,930,296	11,394,169
Claims Liability	2,537,487	2,557,209
Total	<u>\$ 399,577,874</u>	<u>\$ 409,201,555</u>

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 \$153,261,035 verses \$148,130,111 last year, an increase of \$5,130,924, or 3.5 percent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the 2020-2021 fiscal year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

- LCFF Revenue is budgeted at \$10,935 per ADA, comprised of zero percent COLA, 69.76 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 11,123.43, including 37 LACOE operated programs ADA. The District is projected to be funded on ADA of 11,309.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

- LCFF income is budgeted at \$122.7 million, an increase of \$1.65 million, or 1.4 percent from the prior year. This included property tax revenues budgeted at \$29.2 million and EPA revenues budgeted at \$19 million.
- Federal income is budgeted at \$8.8 million, a slight increase from the prior year.
- Other State income is budgeted at \$19.7 million, approximately the same as the prior year.
- Other Local income is budgeted at \$5.8 million, a decrease of \$1.1 million from the prior year, due to a reduction in facilities rentals as a result of the Covid 19 pandemic.

Expenditures are based on the following forecasts:

- Health and Welfare costs are expected to increase by \$1.2 million from the prior year.
- The statutory benefit rates used for the Adopted Budget are indicated in Attachment A. The current approved CalSTRS rates are 16.15%, 16.02%, and 18.10% for 2020-21, 2021-22, and 2022-23, respectively. The current approved CalPERS rates are 20.70%, 22.84%, and 25.5% for 2020-21, 2021-22, and 2022-23, respectively
- Salaries were projected to be \$87.8 million which included an anticipated increase of \$.8 million.
- Liability and property damage insurance is budgeted at \$0.8 million.
- Utilities and other operating costs are budgeted at \$3.1 million.
- The 2020-21 Adopted Budget includes an anticipated reduction of 20.2 Full-Time Equivalents (FTEs) in certificated staffing and 4.81 FTE in classified staffing. The majority of these reductions are part of the 2019-20 District Stabilization Budget Plan.

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.

FINANCIAL SECTION

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 72,510,278
Receivables	35,320,916
Prepaid Expenses	1,427,462
Stores Inventories	116,927
Capital Assets:	
Land and Construction in Process	14,469,160
Other Capital Assets	297,420,052
Less: Accumulated Depreciation	(148,654,136)
Total Capital Assets	<u>163,235,076</u>
Total Assets	272,610,659
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Deferred Charges on Refunding	4,670,865
Deferred Outflows of Resources Related to OPEB	2,596,995
Deferred Outflows of Resources Related to Pensions	42,601,120
Total Deferred Outflows of Resources	<u>49,868,980</u>
LIABILITIES	
Accounts Payable	36,487,342
Accrued Interest Payable	2,879,442
Unearned Revenue	563,306
Long-Term Obligations:	
Current Portion of Long-Term Obligations	7,582,313
Noncurrent Portion of Long-Term Obligations	391,995,561
Total Long-Term Obligations	<u>399,577,874</u>
Total Liabilities	439,507,964
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Deposit	987,510
Deferred Inflows of Resources Related to OPEB	239,010
Deferred Inflows of Resources Related to Pensions	14,357,687
Total Deferred Inflows of Resources	<u>15,584,207</u>
NET POSITION	
Net Investment in Capital Assets	(33,146,844)
Restricted for:	
Debt Service	6,860,220
Capital Projects	1,753,405
Educational Programs	9,325,682
Other Activities	8,303,715
Unrestricted Deficit	(125,708,710)
Total Net Position	<u><u>\$ (132,612,532)</u></u>

See accompanying Notes to Financial Statements.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expenses)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities:				Governmental Activities
Instruction	\$ 111,040,613	\$ 1,387,459	\$ 29,638,882	\$ (80,014,272)
Instruction-Related Activities:				
Supervision of Instruction	5,198,202	232,267	2,694,752	(2,271,183)
Instructional Library, Media, and Technology	385,673	-	5,850	(379,823)
School Site Administration	12,412,749	128,794	2,220,083	(10,063,872)
Pupil Services:				
Home-to-School Transportation	2,700,266	40	19,897	(2,680,329)
Food Services	5,757,267	530,003	4,333,927	(893,337)
All Other Pupil Services	8,746,233	668,059	3,537,104	(4,541,070)
Administration:				
Data Processing	2,820,743	1,027	40,695	(2,779,021)
All Other Administration	7,107,017	69,656	712,965	(6,324,396)
Plant Services	20,650,256	534,153	1,347,763	(18,768,340)
Interest on Long-Term Obligations	7,550,429	-	-	(7,550,429)
Other Outgo	62,659,721	2,753,002	51,703,556	(8,203,163)
Depreciation	12,121,835	-	-	(12,121,835)
Total Governmental Activities	\$ 259,151,004	\$ 6,304,460	\$ 96,255,474	(156,591,070)
General Revenues and Subventions:				
Property Taxes, Levied for General Purposes				26,312,698
Property Taxes, Levied for Debt Service				13,653,237
Taxes Levied for Other Specific Purposes				906,311
Federal and State Aid not Restricted to Specific Purposes				98,026,529
Interest and Investment Earnings				1,149,088
Miscellaneous				523,396
Subtotal, General Revenues				140,571,259
Change in Net Position				(16,019,811)
Net Position (Deficit) - Beginning				(116,592,721)
Net Position (Deficit) - Ending				\$ (132,612,532)

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest and Redemption Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash in County Treasury	\$ 25,244,975	\$ 1,646,430	\$ 14,120,580	\$ 9,739,662	\$ -	\$ 11,894,934	\$ 62,646,581
Cash on Hand and in Banks	812	-	-	-	-	45,909	46,721
Cash in Revolving Fund	35,000	-	-	-	-	100	35,100
Cash with Fiscal Agent	-	-	-	-	-	994,221	994,221
Accounts Receivable	14,067,740	18,764,364	43,402	-	-	1,708,090	34,583,596
Prepaid Expenditures	1,427,462	-	-	-	-	-	1,427,462
Stores Inventories	37,930	-	-	-	-	78,997	116,927
Total Assets	<u>\$ 40,813,919</u>	<u>\$ 20,410,794</u>	<u>\$ 14,163,982</u>	<u>\$ 9,739,662</u>	<u>\$ -</u>	<u>\$ 14,722,251</u>	<u>\$ 99,850,608</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 11,267,845	\$ 20,410,794	\$ 298,144	\$ -	\$ -	\$ 410,622	\$ 32,387,405
Unearned Revenue	563,306	-	-	-	-	-	563,306
Total Liabilities	<u>11,831,151</u>	<u>20,410,794</u>	<u>298,144</u>	<u>-</u>	<u>-</u>	<u>410,622</u>	<u>32,950,711</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Deposit on Property Exchange	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>987,510</u>	<u>987,510</u>
FUND BALANCES							
Nonspendable	1,500,392	-	-	-	-	78,997	1,579,389
Restricted	4,663,149	-	13,865,838	9,739,662	-	11,788,700	40,057,349
Assigned	775,959	-	-	-	-	1,456,422	2,232,381
Unassigned	22,043,268	-	-	-	-	-	22,043,268
Total Fund Balances	<u>28,982,768</u>	<u>-</u>	<u>13,865,838</u>	<u>9,739,662</u>	<u>-</u>	<u>13,324,119</u>	<u>65,912,387</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 40,813,919</u>	<u>\$ 20,410,794</u>	<u>\$ 14,163,982</u>	<u>\$ 9,739,662</u>	<u>\$ -</u>	<u>\$ 14,722,251</u>	<u>\$ 99,850,608</u>

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balance - Governmental Funds \$ 65,912,387

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 2,886,240	
Construction in Progress	11,582,920	
Depreciable Assets, Net	148,765,916	163,235,076

Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in governmental funds.

Long-term liabilities at year-end consist of:

General Obligation Bonds	210,641,404	
Unamortized Premium	10,128,242	
Qualified Zone Academy Bonds	1,375,559	
Capital Leases	5,604,351	
Compensated Absences	1,975,000	
Aggregate net OPEB liability	13,930,296	
Early Retirement Incentives	124,500	
Net Pension Liability	153,261,035	(397,040,387)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods.

Deferred outflows and inflows of resources at year-end consist of:

Deferred Outflows - Deferred Charge on Refunding	4,670,865	
Deferred Outflows - OPEB	2,596,995	
Deferred Outflows - Pensions	42,601,120	
Deferred Inflows - OPEB	(239,010)	
Deferred Inflows - Pensions	(14,357,687)	35,272,283

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.

2,887,551

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(2,879,442)

Total Net Position (Deficit) - Governmental Activities

\$(132,612,532)

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Special Education Pass-Through Fund	Building Fund	Bond Interest and Redemption Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Local Control Funding Formula	\$ 121,049,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,049,447
Federal Sources	7,112,548	16,195,408	-	-	-	4,740,034	28,047,990
Other State Sources	20,183,266	41,972,725	-	91,899	-	5,861,005	68,108,895
Other Local Sources	5,813,252	-	281,689	13,739,495	148,038	3,936,815	23,919,289
Total Revenues	154,158,513	58,168,133	281,689	13,831,394	148,038	14,537,854	241,125,621
EXPENDITURES							
Instruction	100,333,626	-	-	-	-	3,779,871	104,113,497
Instruction-Related Activities	15,254,067	-	-	-	-	1,449,944	16,704,011
Pupil Services	9,514,769	-	-	-	-	6,835,713	16,350,482
General Administration	8,591,267	-	-	517,916	-	488,006	9,597,189
Plant Services	17,943,666	-	4,590,023	-	-	2,966,048	25,499,737
Other Outgo	4,491,588	58,168,133	-	-	-	-	62,659,721
Debt Service	827,376	-	433,475	14,127,001	18,799,489	-	34,187,341
Total Expenditures	156,956,359	58,168,133	5,023,498	14,644,917	18,799,489	15,519,582	269,111,978
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(2,797,846)	-	(4,741,809)	(813,523)	(18,651,451)	(981,728)	(27,986,357)
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Bonds	-	-	-	58,690,000	-	-	58,690,000
Deposit to Refunding Bond Escrow Agent	-	-	-	(58,172,084)	-	-	(58,172,084)
Proceeds from Capital Lease	3,545,317	-	-	-	-	-	3,545,317
Interfund Transfers in	200,000	-	-	-	-	927,743	1,127,743
Interfund Transfers out	(927,743)	-	-	-	-	(200,000)	(1,127,743)
Net Financing Sources	2,817,574	-	-	517,916	-	727,743	4,063,233
NET CHANGE IN FUND BALANCES	19,728	-	(4,741,809)	(295,607)	(18,651,451)	(253,985)	(23,923,124)
Fund Balance - Beginning of Year	28,963,040	-	18,607,647	10,035,269	18,651,451	13,578,104	89,835,511
FUND BALANCE - END OF YEAR	<u>\$ 28,982,768</u>	<u>\$ -</u>	<u>\$ 13,865,838</u>	<u>\$ 9,739,662</u>	<u>\$ -</u>	<u>\$ 13,324,119</u>	<u>\$ 65,912,387</u>

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ (23,923,124)

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, assets with an initial,
individual cost of more than \$5,000 are capitalized and the cost
is allocated over their estimated useful lives and reported as
depreciation expense.

Capital Outlays	\$ 5,578,200	
Depreciation Expense	(12,121,835)	
Excess of Capital Outlay over Depreciation Expense		(6,543,635)

Issuance of long-term debt is reported as proceeds in governmental
funds but increases long-term liabilities in the statement of net
position.

General Obligation Bonds	58,690,000	
Capital Lease	3,545,317	
		(62,235,317)

Repayment of long-term debt is reported as an expenditure in
governmental funds, but the repayment reduces long-term
liabilities in the statement of net position.

General Obligation Bonds	77,283,586	
Qualified Zone Academy Bonds	415,564	
Capital Lease	712,642	
		78,411,792

In governmental funds, OPEB costs are recognized when the
health and welfare payments are made, but in the statement of
activities, OPEB costs are recognized on the accrual basis. The
difference between accrual basis OPEB costs and actual health
and welfare payments was

(206,024)

In governmental funds, pension costs are recognized when the
employer contribution is made, but in the statement of activities,
pension costs are recognized on the accrual basis. The difference
between accrual basis pension costs and actual employer
contributions was

(8,531,308)

Some items reported in the statement of activities do not require
the use of current financial resources and, therefore, are not
reported as expenditures in governmental funds. These activities
consist of:

Net Increase in Deferred Charge on Refunding Bonds	\$ 4,670,865	
Net Decrease in Accrued Interest	457,105	
Increase in Accreted Interest	(1,700,119)	
Net Decrease in Bond Premium	2,967,112	
Net Increase in Compensated Absences	(235,458)	
Decrease in Early Retirement Incentive	63,000	
		6,222,505

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 income of the Internal Service Fund is
reported with governmental activities.

785,300

Change in Net Position of Governmental Activities

\$ (16,019,811)

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	Governmental Activities <u>Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash in County Treasury	\$ 8,737,655
Cash with Fiscal Agent	50,000
Accounts Receivable	<u>737,320</u>
Total Current Assets	<u>9,524,975</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,099,937
Noncurrent Liabilities:	
Claims Liability	<u>2,537,487</u>
Total Liabilities	<u>6,637,424</u>
NET POSITION	
Restricted	<u><u>\$ 2,887,551</u></u>

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Internal Service Fund
OPERATING REVENUES	
In-District Premiums	\$ 18,518,082
Other Local Sources	<u>364,544</u>
Total Operating Revenues	<u>18,882,626</u>
OPERATING EXPENSES	
Other Operating Costs	<u>18,173,433</u>
Total Operating Income	709,193
NONOPERATING REVENUE	
Interest Income	<u>76,107</u>
CHANGE IN NET POSITION	785,300
Net Position - Beginning of Year	<u>2,102,251</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,887,551</u></u>

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from In-District Services Provided	\$ 18,136,063
Other Operating Cash Receipts	364,544
Cash Payments to Suppliers and for Claims	<u>(17,936,485)</u>
Net Cash Provided by Operating Activities	564,122
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>85,551</u>
CHANGE IN CASH AND CASH EQUIVALENTS	649,673
Cash and Cash Equivalents - Beginning of Year	<u>8,137,982</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 8,787,655</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 709,193
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Net Assets and Liabilities:	
Receivables	(382,019)
Accounts Payable	256,670
Claims Liability	<u>(19,722)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 564,122</u></u>

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Agency Fund</u>
ASSETS	
Deposits and Investments	\$ 562,416
Webstore Clearing	28,234
Stores Inventories	<u>36,739</u>
Total Assets	<u><u>\$ 627,389</u></u>
LIABILITIES	
Accounts Payable	\$ 26,220
Due to Student Groups	<u>601,169</u>
Total Liabilities	<u><u>\$ 627,389</u></u>

See accompanying Notes to Financial Statements.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home to school transportation, food services, and other pupil services.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

The proprietary fund expenses are presented by natural classification.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds - Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund.

Special Education Pass-Through Fund: 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: exists primarily to account separately for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund: used for the repayment of bonds issued for a district.

Debt Service Fund: used to account for the payment of principal and interest on general long-term debt.

Governmental Funds – Nonmajor

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects.

Adult Education Fund: used to account for resources restricted, committed or assigned to adult education programs maintained by the District.

Child Development Fund: used to account for resources restricted, committed or assigned to child development programs.

Cafeteria Fund: used to account for revenues received and expenditures made to operate the District's cafeterias.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds – Nonmajor (Continued)

Capital Project Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

Special Reserve Fund: used to account for specific board-approved capital expenditures.

Proprietary Funds

Self-Insurance Fund

Internal Service Fund: used to account for services rendered on a cost-reimbursement basis within the District.

Fiduciary Funds

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body.

Agency Activities

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes, and other contributions. The District had cash in the county treasury amounting to (\$814,390) on June 30, 2020, which represents prepaid withholdings.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

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 in the county treasury is recorded at cost, which approximates fair value.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2020, the inventory for supplies is \$54,151 and the inventory of the student store is \$36,739. The inventory for food is \$62,777.

Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$15,000. The District does not own any infrastructure as defined by GASB. 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Capital Assets (Continued)

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-50 Years
Furniture and Equipment	5-15 Years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charges on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – OPEB: The deferred outflows of resources related to OPEB benefits resulted from the effects of actuarially-determined changes to the OPEB plan. Deferred outflows – OPEB will be deferred and amortized as detailed in Note 12 to the financial statements.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 13 to the financial statements.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Compensated Absences (Continued)

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Pension Liability

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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period.

Deferred Inflows – Deposit: A deferred inflows of resources related to deposits resulted from amounts received related to the property exchange agreement as described in Note 16 to the financial statements.

Deferred Inflows – OPEB: The deferred inflows of resources related to OPEB benefits resulted from the effects of actuarially-determined changes to the OPEB plan. These amounts will be deferred and amortized as detailed in Note 12 to the financial statements.

Deferred Inflows – Pensions: The deferred inflows of resources related to resulted from the effects of actuarially-determined changes to the pension plans. These amounts are deferred and amortized as detailed in Note 13 to the financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net 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 improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund Balance Classification (Continued)

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The District Board of Education, through a formal action has given authority to the governing board or chief business officer/assistant superintendent of business services to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

Spending Order Policy

The District considers restricted (or unrestricted) amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Education has provided otherwise in its commitment or assignment functions.

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. The minimum recommended reserve for a district this size is 3% of budgeted General Fund expenditures and other financing uses.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the District Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component unit has been included in the District's reporting entity:

Covina-Valley Unified School District Facilities Finance Corporation: as represented by the Qualified Zone Academy Bonds, 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.

NOTE 2 BUDGETS

By state law, the District Board of Education must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District Board of Education satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District Board of Education during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 CASH AND CASH EQUIVALENTS

Deposits

Custodial Credit Risk

Custodial credit risk 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. As of June 30, 2020, \$377,342 of the District's bank balance of \$1,147,879 was exposed to credit risk as follows:

<u>District's Bank Balance</u>	<u>June 30, 2020</u>
Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 377,342
Total	<u>\$ 377,342</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2020 is measured at 100.289% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 RECEIVABLES

Accounts receivable as of June 30, 2020 consists of the following:

	General Fund	Special Education Pass-Through Fund	Building Fund	Nonmajor Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal and State	\$ 13,883,064	\$ 18,761,994	\$ -	\$ 725,156	\$ -	\$ 33,370,214
Miscellaneous	184,676	2,370	43,402	982,934	737,320	1,950,702
Total	<u>\$ 14,067,740</u>	<u>\$ 18,764,364</u>	<u>\$ 43,402</u>	<u>\$ 1,708,090</u>	<u>\$ 737,320</u>	<u>\$ 35,320,916</u>

NOTE 5 INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2019-20 fiscal year are as follows:

<u>Interfund Transactions</u>	<u>Amount</u>
Transfer from General Fund to Special Reserve for Capital Outlay for RDA facilities portion	\$ 866,917
Transfer from Child Development Fund to General Fund For Kids Korner	200,000
Transfer from General Fund to Cafeteria Fund for Nutrition Services student debt	<u>60,826</u>
Total	<u>\$ 1,127,743</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 FUND BALANCES

The following amounts were nonspendable, restricted, assigned, or unassigned as shown below:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Revolving Cash	\$ 35,000	\$ -	\$ -	\$ -	\$ 35,000
Stores Inventory	37,930	-	-	78,997	116,927
Prepaid Expenditures	<u>1,427,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,427,462</u>
Total Nonspendable	<u>1,500,392</u>	<u>-</u>	<u>-</u>	<u>78,997</u>	<u>1,579,389</u>
Restricted:					
Legally Restricted Programs	4,663,149	-	-	10,078,697	14,741,846
Capital Projects	-	13,865,838	-	1,710,003	15,575,841
Debt Services	<u>-</u>	<u>-</u>	<u>9,739,662</u>	<u>-</u>	<u>9,739,662</u>
Total Restricted	<u>4,663,149</u>	<u>13,865,838</u>	<u>9,739,662</u>	<u>11,788,700</u>	<u>40,057,349</u>
Assigned:					
Other Assignments	775,959	-	-	-	775,959
Adult Education Program	-	-	-	72,004	72,004
Student Nutrition Program	-	-	-	76,208	76,208
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,308,210</u>	<u>1,308,210</u>
Total Assigned	<u>775,959</u>	<u>-</u>	<u>-</u>	<u>1,456,422</u>	<u>2,232,381</u>
Unassigned:					
Reserve for Economic Uncertainties	4,630,164	-	-	-	4,630,164
Unassigned	<u>17,413,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,413,104</u>
Total Unassigned	<u>22,043,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,043,268</u>
Total	<u><u>\$ 28,982,768</u></u>	<u><u>\$ 13,865,838</u></u>	<u><u>\$ 9,739,662</u></u>	<u><u>\$ 13,324,119</u></u>	<u><u>\$ 65,912,387</u></u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

Governmental Activities

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,886,240	\$ -	\$ -	\$ 2,886,240
Construction in Progress	12,513,676	5,381,943	6,312,699	11,582,920
Total capital assets not being depreciated	15,399,916	5,381,943	6,312,699	14,469,160
Capital assets being depreciated:				
Land Improvements	88,791,739	-	-	88,791,739
Buildings and Improvements	188,736,140	6,312,699	-	195,048,839
Furniture and Equipment	13,383,217	196,257	-	13,579,474
Total capital assets being depreciated	290,911,096	6,508,956	-	297,420,052
Less accumulated depreciation for:				
Land Improvements	47,306,556	4,337,095	-	51,643,651
Buildings and Improvements	76,777,256	7,590,216	-	84,367,472
Furniture and Equipment	12,448,489	194,524	-	12,643,013
Total accumulated depreciation	136,532,301	12,121,835	-	148,654,136
Depreciable assets, net	154,378,795	(5,612,879)	-	148,765,916
Governmental activities capital assets, net	<u>\$ 169,778,711</u>	<u>\$ (230,936)</u>	<u>\$ 6,312,699</u>	<u>\$ 163,235,076</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2020 is shown below.

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Amount Due in One Year
General Obligation Bonds	\$ 227,534,871	\$ 60,390,119	\$ 77,283,586	\$ 210,641,404	\$ 6,283,653
Premium on General Obligation Bonds	13,095,354	-	2,967,112	10,128,242	-
Total General Obligation Bonds	240,630,225	60,390,119	80,250,698	220,769,646	6,283,653
Qualified Zone Academy Bonds	1,791,123	-	415,564	1,375,559	436,342
Capital Leases	2,771,676	3,545,317	712,642	5,604,351	817,818
Compensated Absences	1,739,542	235,458	-	1,975,000	-
Early Retirement Incentives	187,500	-	63,000	124,500	44,500
Net Pension Liability	148,130,111	5,130,924	-	153,261,035	-
Net OPEB Liability	11,394,169	2,655,687	119,560	13,930,296	-
	<u>\$ 406,644,346</u>	<u>\$ 71,957,505</u>	<u>\$ 81,561,464</u>	<u>\$ 397,040,387</u>	<u>\$ 7,582,313</u>

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, early retirement incentive, postemployment healthcare benefits, and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 9 LEASES

Capital Leases

The District leases equipment valued at approximately \$7,729,723 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2021	\$ 976,417
2022	987,667
2023	769,123
2024	769,123
2025	642,232
2026-2030	1,303,402
2031-2035	1,171,035
Total	6,618,999
Less amount representing interest	(1,014,648)
Present value of net minimum lease payments	<u>\$ 5,604,351</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 LEASES (CONTINUED)

Operating Leases

The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2021	\$ 529,437
2022	529,437
Total	<u>\$ 1,058,874</u>

Current year expenditures for operating leases is approximately \$529,464. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 10 GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2020 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2020</u>
2001 Election, Series B (2003)	6/19/2003	6/1/2028	2.20%-5.20%	\$ 30,000,000	\$ 22,321,404
2012 Election, Series A (2013)	5/9/2013	8/1/2043	2.00%-4.15%	30,000,000	4,815,000
2012 Election, Series B (2015)	7/9/2015	8/1/2044	2.00%-5.00%	37,000,000	36,145,000
2012 Election, Series C (2016)	8/10/2016	8/1/2024	N/A	6,000,000	3,080,000
2012 Election, Series C-1(2017)	8/31/2016	8/1/2032	3.00%-5.00%	16,410,000	16,410,000
2012 Election, Series D (2017)	6/14/2017	8/1/2046	2.00%-5.00%	30,000,000	29,380,000
2012 Election, Series E (2018)	9/6/2018	8/1/2046	3.13%-4.00%	14,000,000	14,000,000
2011 Refunding (2011)	12/6/2011	8/1/2026	3.00%-5.25%	13,495,000	1,935,000
2013 Refunding (2013)	5/9/2013	8/1/2031	2.00%-5.00%	40,500,000	11,865,000
2016 Refunding (2016)	8/31/2016	8/1/2045	3.00%-4.00%	12,000,000	12,000,000
2019 Refunding (2019)	9/5/2019	8/1/2049	1.87%-3.26%	58,690,000	58,690,000
					<u>\$ 210,641,404</u>

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%. 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, 2020, the principal balance outstanding of the 2001 Election General Obligation Bonds, Series B was \$22,321,404. Unamortized premium received on issuance of the bonds amounted to \$260,136 as of June 30, 2020.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

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%. 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, 2020, the principal balance was defeased by the 2019 Refunding General Obligation Bonds.

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%. 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, 2020, the principal balance outstanding on the 2001 Election General Obligation Refunding Bonds, 2011 Series A was \$1,935,000. Unamortized premium received on issuance of the bonds amounted to \$107,264 as of June 30, 2020.

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, 2043, with interest rate yields of 2.00% to 4.15%. 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, 2020, the principal balance outstanding was \$4,815,000. Unamortized premium received on issuance of the bonds amounted to \$495,328 as of June 30, 2020.

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%. 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, 2020, the principal balance outstanding was \$11,865,000. Unamortized premium received on issuance of the bonds amounted to \$1,633,535 as of June 30, 2020.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

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%. 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, 2020, the principal balance outstanding was \$36,145,000. Unamortized premium received on issuance of the bonds amounted to \$2,244,192 as of June 30, 2020.

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, 2020, the principal balance outstanding was \$3,080,000.

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 5.00%. 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, 2020, the principal balance outstanding was \$12,000,000. Unamortized premium received on issuance of the bonds amounted to \$821,125 as of June 30, 2020.

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%. 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, 2020, the principal balance outstanding was \$16,410,000. Unamortized premium received on issuance of the bonds amounted to \$2,634,732 as of June 30, 2020.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

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%. 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, 2020, the principal balance outstanding was \$29,380,000. Unamortized premium received on issuance of the bonds amounted to \$177,892 as of June 30, 2020.

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%. 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, 2020, the principal balance outstanding was \$14,000,000. Unamortized premium received on issuance of the bonds amounted to \$1,754,038 as of June 30, 2020.

2019 General Obligation Refunding Bonds

On September 5, 2019, the District issued the 2019 General Obligation Refunding Bonds in the amount of \$58,690,000 with interest rate yields of 1.87% to 3.26%. The bonds were issued as current interest bonds and 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 cost of issuing the Refunding Bonds. The refunding resulted in a cash flow savings of \$12,103,397 and a net present value gain of \$5,764,752. At June 30, 2020, the principal balance outstanding was \$58,690,000. The balance in the escrow account as of June 30, 2020 is \$58,171,212. The bonds will be paid off on August 1, 2023.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 GENERAL OBLIGATION BONDS (CONTINUED)

Debt Service Requirements to Maturity

The bonds mature through 2053 as follows:

<u>Fiscal Year Ending,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest</u>	<u>Total</u>
2021	\$ 6,283,653	\$ 1,586,347	\$ 6,826,138	\$ 14,696,138
2022	6,071,976	1,723,024	6,668,821	14,463,821
2023	6,033,312	1,866,688	6,522,201	14,422,201
2024	6,709,737	2,015,263	6,371,757	15,096,757
2025	7,544,308	2,115,692	6,202,836	15,862,836
2026-2030	37,119,083	9,960,917	28,192,318	75,272,318
2031-2035	32,440,000	-	22,352,887	54,792,887
2036-2040	25,740,000	-	17,066,456	42,806,456
2041-2045	41,810,000	-	9,972,375	51,782,375
2046-2053	28,015,000	-	1,552,381	29,567,381
Total	197,767,069	\$ 19,267,931	\$ 111,728,170	\$ 328,763,170
Accreted Interest	12,874,335			
Total	<u>\$ 210,641,404</u>			

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, 2020, the outstanding balance on the QZABs is \$1,375,559.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 436,342	\$ 13,756	\$ 450,098
2022	458,159	9,392	467,551
2023	481,058	4,811	485,869
Total	<u>\$ 1,375,559</u>	<u>\$ 27,959</u>	<u>\$ 1,403,518</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 EARLY RETIREMENT INCENTIVE PROGRAM

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, 2020, the balance of obligations associated with the supplemental retirement plans was \$124,500. The early retirement incentives have future payments as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2021	\$ 44,500
2022	31,000
2023	24,500
2024	18,500
2025	6,000
Total	<u>\$ 124,500</u>

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expenses</u>
District Plan	\$ 13,237,638	\$ 2,596,995	\$ 239,010	\$ 1,153,686
Medicare Premium Payment (MPP) Program	692,658	-	-	-
Total	<u>\$ 13,930,296</u>	<u>\$ 2,596,995</u>	<u>\$ 239,010</u>	<u>\$ 1,153,686</u>

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Aggregate Net Other Postemployment Benefits (OPEB) Liability (Continued)

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, 2020, the Plan membership consisted of the following:

Inactive Employees or Beneficiaries Currently	
Receiving Benefit Payments	58
Active Employees	1,028
	<hr/>
	1,086
	<hr/>

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 2019-20, the District paid \$828,102 in benefits.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Total OPEB Liability of the District

The District's total OPEB liability of \$13,237,638 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2020, was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00%
Discount rate	2.45%
Healthcare cost trend rates	5.90%

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. Postretirement 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, 2019 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance - June 30, 2019	<u>\$ 10,581,951</u>
Service Cost	336,428
Interest	392,950
Differences Between Expected and Actual Experience	1,742,908
Changes in Assumptions	1,011,503
Benefit Payments	<u>(828,102)</u>
Net Change in Total OPEB Liability	<u>2,655,687</u>
Balance - June 30, 2020	<u><u>\$ 13,237,638</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13% to 2.45% since the previous valuation. There were no changes to benefit terms since the previous valuation.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

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 (1.45%)	\$ 14,368,789
Current Discount Rate (2.45%)	13,237,638
1% Increase (3.45%)	12,213,604

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 Rate	Total OPEB Liability
1% Decrease (4.90%)	\$ 12,460,361
Current Healthcare Cost Rate Trend (5.90%)	13,237,638
1% Increase (6.90%)	14,136,503

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources as shown herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 1,122,227	\$ 239,010
Differences Between Expected and Actual Experience	1,474,768	-
Total	<u>\$ 2,596,995</u>	<u>\$ 239,010</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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 6.5 years and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2021	\$ 424,308
2022	424,308
2023	424,308
2024	424,308
2025	424,308
Thereafter	236,445
Total	<u><u>\$ 2,357,985</u></u>

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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Medicare Premium Payment (MPP) Program (Continued)

Benefits Provided (Continued)

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, 2020, the District reported a liability of \$692,658 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 and 2018, respectively, was 0.1860% and 0.2122%, resulting in a net decrease in the proportionate share of 0.0262%.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019
Valuation Date	June 30, 2018
	July 1, 2010 through
Experience Study	June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.50%
Medicare Part A Premium Cost Trend Rate	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

For the valuation as of June 30, 2019, 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% 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 380 or an average of 0.23% of the potentially eligible population (165,422).

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, 2019, 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, 2019, is 3.50 percent. The MPP Program is funded on a pay-as-you-go basis, 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 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 POST EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Discount Rate

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 (2.50%)	\$ 755,848
Current Discount Rate (3.50%)	692,658
1% Increase (4.50%)	634,558

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)	\$ 631,171
Current Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	692,658
1% Increase (4.7% Part A and 5.1% Part B)	763,125

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS

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, 2020, 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	\$ 109,282,360	\$ 32,409,856	\$ 13,815,582	\$ 13,904,678
CalPERS	43,978,675	10,191,264	542,105	9,636,866
Total	<u>\$ 153,261,035</u>	<u>\$ 42,601,120</u>	<u>\$ 14,357,687</u>	<u>\$ 23,541,544</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 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% of final compensation for each year of credited service.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Continued)

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, 2020, are summarized as follows:

	STRP Defined Benefits 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	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

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% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$10,875,727.

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

At June 30, 2020, 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:

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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

	Balance June 30, 2020
District Proportionate Share of the Net Pension Liability	\$ 109,282,360
State's Proportionate Share of the Net Pension Liability Associated with the District	59,621,305
Total	<u>\$ 168,903,665</u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the District's proportionate share was 0.1210% which is an increase of 0.0028% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$13,904,678. In addition, the District recognized pension expense and revenue of \$7,408,104 for support provided by the State. At June 30, 2020, 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	\$ 10,875,727	\$ -
Net Change in Proportionate Share of Net Pension Liability	7,436,419	6,526,542
Differences between Projected and Actual Earnings on Pension Plan Investments	-	4,209,590
Differences between Expected and Actual Experience in the Measurement of the Total Pension Liability	275,880	3,079,450
Changes of Assumptions	13,821,830	-
Total	<u>\$ 32,409,856</u>	<u>\$ 13,815,582</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2019 measurement date is seven years. The remaining amount will be recognized to pension expense as follows:

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

<u>Year Ending June 30,</u>	<u>Amortization</u>
2021	\$ 2,653,575
2022	(263,736)
2023	955,956
2024	4,284,595
2025	81,048
	7,109
Total	<u>\$ 7,718,547</u>

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, 2018, and rolling forward the total pension liability to June 30, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Continued)

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%	4.80%
Private Equity	13%	6.30%
Real Estate	13%	3.60%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash/Liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%) 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Discount Rate (Continued)

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.10%)	\$ 162,730,480
Current Discount Rate (7.10%)	109,282,360
1% Increase (8.10%)	64,963,690

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report on the CalSTRS website. Copies of the CalSTRS annual financial report may be obtained from CalSTRS.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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 nonduty 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or After January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1% - 2.5%	1.0% - 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

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, 2020, are presented above and the total District contributions were \$4,217,647.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$43,978,675. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. . At June 30, 2019, the District's proportion was 0.1509% which is an increase of 0.0028% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$9,636,866. At June 30, 2020, 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	\$ 4,217,647	\$ -
Net Change in Proportionate Share of Net Pension Liability	685,478	134,195
Differences between Projected and Actual Earnings on Pension Plan Investments	-	407,910
Differences between Expected and Actual Experience in the Measurement of the Total Pension Liability	3,194,617	-
Changes of Assumptions	2,093,522	-
Total	<u>\$ 10,191,264</u>	<u>\$ 542,105</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2019 measurement date is 4.1 years.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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

The remaining amount will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2021	\$ 3,865,334
2022	837,997
2023	545,808
2024	182,373
Total	<u>\$ 5,431,512</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the postretirement mortality rates, those revised rates include 15 years of mortality improvements using 90% of scale MP 2016 published by the Society of Actuaries.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Methods and Assumptions (Continued)

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%
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% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. 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 Schools Pool Plan 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

Discount Rate (Continued)

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.15%)	\$ 63,392,369
Current Discount Rate (7.15%)	43,978,675
1% Increase (8.15%)	27,873,676

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report available on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from CalPERS.

NOTE 14 INTERNAL SERVICE FUND

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, 2020, 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 2019-20, 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 2019-20 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 INTERNAL SERVICE FUND (CONTINUED)

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.

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, 2020, amounted to \$2,537,487, using a discount factor of 0.95%.

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, 2018 to June 30, 2020:

	<u>Workers'</u> <u>Compensation</u>
Liability Balance - July 1, 2018	\$ 2,584,007
Claims and Changes in Estimates	579,631
Claims Payments	<u>(606,429)</u>
Liability Balance - June 30, 2019	2,557,209
Claims and Changes in Estimates	158,070
Claims Payments	<u>(177,792)</u>
Liability Balance - June 30, 2020	<u><u>\$ 2,537,487</u></u>
 Assets Available to Pay Claims at June 30, 2020	 <u><u>\$ 4,250,454</u></u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 JOINT POWERS AGREEMENT

The District participates in three joint powers agreement (JPA) entities: California Schools Employee Benefits Association (CSEBA), the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the Schools Excess Liability Fund (SELF). The District pays an annual premium to CSEBA and ASCIP for its medical and property/liability and workers' compensation excess liability coverage, respectively.

California Schools Employee Benefits Association (CSEBA) provides medical liability coverage for its members.

Alliance of Schools for Cooperative Insurance Programs (ASCIP) arranges for and provides property and liability insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested. ASCIP is governed by a board consisting of 25 elected members and alternatives.

The Schools' Excess Liability Fund (SELF) arranges for and provides a self-funded excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 32 elected voting members, elected alternates and two ex-official members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's Board of Directors and shares surpluses and deficits proportionately to its participation in SELF.

Each JPA is governed by a board consisting of representatives from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. In addition, each JPA is independently accountable for its fiscal matters. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

Condensed financial information for the year ended June 30, 2020 is as follows:

	ASCIP 6/30/2020 (Audited)	SELF 6/30/2020 (Audited)	CSEBA 6/30/2020 (Audited)
<u>JPA Condensed Financial Information</u>			
Total Assets and Deferred Outflows	\$ 537,482,511	\$ 174,933,796	\$ 72,692,162
Total Liabilities and Deferred Inflows	313,116,798	141,257,884	18,431,386
Net Position	<u>\$ 224,365,713</u>	<u>\$ 33,675,912</u>	<u>\$ 54,260,776</u>
Total Revenues	\$ 294,192,490	\$ 77,945,029	\$ 284,961,537
Total Expenses	271,188,222	64,133,389	277,940,732
Change in Fund Balance	<u>\$ 23,004,268</u>	<u>\$ 13,811,640</u>	<u>\$ 7,020,805</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 PROPERTY EXCHANGE AGREEMENTS

On March 15, 2018, the District entered into a property exchange agreement that provided for an exchange of District property for income producing property of equal value. The agreement stipulates that the District is responsible for identifying an exchange property and, upon this identification, the exchange process would proceed. In the event that the District has not identified a suitable exchange property, the other party has the right to acquire District property for cash consideration. Because the District did not identify the exchange property at the time of the exchange agreement's execution, the other party exercised their right to obtain District property for a cash consideration.

On June 21, 2019, the buyer delivered into an escrow holding account \$987,510 in consideration for purchasing the District property. The amount in escrow will be delivered to the District or held in escrow until an exchange property is identified and acquired by the District. The escrow account will be maintained for five years and will lapse unless a formal extension is requested by the District or the exchange is completed per the agreement.

As of June 30, 2020, the balance in the escrow account is \$994,221. Funds are held in a money market account. Interest is paid annually at a rate of approximately 0.6%.

On December 23, 2019 and January 16, 2020, the District entered into three separate exchange agreements that provided for an exchange of District property for income producing property of equal value. As stipulated in the agreement, the buyers made non-refundable deposits that will be applied to the purchase price upon completion of the property exchange. As of June 30, 2020, the properties are still in escrow and the total amount of deposits earned and recorded are \$595,000.

NOTE 17 COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Purchase Commitments

As of June 30, 2020, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$1.4 million. Projects will be funded through Bond Proceeds, Capital Facilities Funds, and General Funds.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Potential impacts to the District associated with the COVID-19 pandemic include, but are not limited to, challenges to delivery of public education, increasing costs, disruption to cash flow associated with state apportionment deferrals and lost revenue for fee generating programs.

In response to the COVID-19 pandemic, the District has staggered employee shifts, enabled certain employees to telecommute and implemented distance learning in response to health requirements. In addition, the District has certified acceptance of CARES act funding appropriated for distribution to school districts in the 2020-21 California State Budget.

The COVID-19 pandemic is ongoing, and the duration and severity of the pandemic and the economic and other actions that may be taken by governmental authorities to contain the pandemic or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown at this time. The District continues to actively monitor revenues, expenses and collection of receivables so that any further impacts can be anticipated.

The District does not currently expect that the COVID-19 pandemic will have a material adverse effect on the District's ability to pay general obligation bonds. The source for debt service payments is tax assessments; the County Auditor-Controller's Office has not communicated a reduction in tax levies or receipts that would negatively affect the District's ability to make debt service payments.

REQUIRED SUPPLEMENTARY INFORMATION

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual
	Original	Final	(GAAP Basis)
REVENUES			
Local Control Funding Formula	\$ 121,003,316	\$ 120,944,221	\$ 121,049,447
Federal Sources	6,787,092	7,608,953.00	7,112,548
Other State Sources	19,559,282	19,593,060	20,183,266
Other Local Sources	5,836,680	6,779,338	5,813,252
Total Revenues	153,186,370	154,925,572	154,158,513
EXPENDITURES			
Current:			
Certificated Salaries	69,122,218	67,098,735	66,107,795
Classified Salaries	22,250,999	22,119,401	20,903,083
Employee Benefits	39,938,309	39,979,416	39,232,965
Books and Supplies	4,700,002	7,739,563	5,827,363
Services and Operating Expenditures	15,218,111	18,834,292	16,255,942
Capital Outlay	-	163,000	3,786,064
Other Outgo	5,293,059	5,357,959	4,843,147
Total Expenditures	156,522,698	161,292,366	156,956,359
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,336,328)	(6,366,794)	(2,797,846)
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Lease	-	-	3,545,317
Transfers in	200,000	200,000	200,000
Transfers out	(733,324)	(804,000)	(927,743)
Net Financing Sources (Uses)	(533,324)	(604,000)	2,817,574
NET CHANGE IN FUND BALANCES	<u>\$ (3,869,652)</u>	<u>\$ (6,970,794)</u>	19,728
Fund Balance - Beginning of Year			<u>28,963,040</u>
FUND BALANCE - END OF YEAR			<u><u>\$ 28,982,768</u></u>

See accompanying Notes to Required Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF BUDGETARY COMPARISON FOR THE
SPECIAL EDUCATION PASS-THROUGH FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual
	Original	Final	(GAAP Basis)
REVENUES			
Federal Sources	\$ 17,649,957	\$ 17,658,233	\$ 16,195,408
Other State Sources	42,316,238	42,373,264	41,972,725
Total Revenues	59,966,195	60,031,497	58,168,133
EXPENDITURES			
Current:			
Other Outgo	59,966,195	60,031,497	58,168,133
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>-</u>	-
Fund Balance - Beginning of Year			-
FUND BALANCE - END OF YEAR			<u>\$ -</u>

See accompanying Notes to Required Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
MEASUREMENT PERIODS ENDED JUNE 30,**

<u>Total OPEB Liability - Retiree Health Plan</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	<u>\$ 10,581,951</u>	<u>\$ 10,217,585</u>	<u>\$ 10,365,090</u>
Changes for the year			
Service cost	336,428	402,196	422,957
Interest cost	392,950	356,824	315,900
Differences between expected and actual experience	1,742,908	-	-
Changes in assumptions	1,011,503	332,926	(337,233)
Expected benefit payments	<u>(828,102)</u>	<u>(727,580)</u>	<u>(549,129)</u>
Net changes	<u>2,655,687</u>	<u>364,366</u>	<u>(147,505)</u>
Ending balance	<u><u>\$ 13,237,638</u></u>	<u><u>\$ 10,581,951</u></u>	<u><u>\$ 10,217,585</u></u>
Covered-employee payroll	\$ 93,383,824	N/A	N/A
Total OPEB liability as a percentage of covered-employee payroll	14%	N/A	N/A

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICARE PREMIUM PAYMENT PLAN
MEASUREMENT PERIODS ENDED JUNE 30,**

<u>Medicare Premium Payment Program</u>	<u>2020</u>	<u>2019</u>
District's Proportion of the Net OPEB Liability	0.1860%	0.2122%
District's Proportionate Share of the Net OPEB Liability	\$ 692,658	\$ 812,218
District's Covered Payroll *	-	-
Net OPEB liability (asset) as a Percentage of Covered Payroll *	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.81%	-0.40%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts are reported as of the previous year to align with the measurement date of the net OPEB liability

* Plan participants are limited to retirees; therefore covered payroll is zero.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
MEASUREMENT PERIODS ENDED JUNE 30,**

CalSTRS - STRP	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.1210%	0.1182%	0.1174%	0.1135%	0.1341%	0.1182%
District's Proportionate Share of the Net Pension Liability	\$ 109,282,360	\$ 108,653,817	\$ 108,591,245	\$ 91,798,380	\$ 90,277,985	\$ 69,056,755
State's Proportionate Share of the Net Pension Liability Associated with the District	59,621,305	62,209,392	64,241,663	52,259,180	47,747,102	41,699,450
Total	<u>\$ 168,903,665</u>	<u>\$ 170,863,209</u>	<u>\$ 172,832,908</u>	<u>\$ 144,057,560</u>	<u>\$ 138,025,087</u>	<u>\$ 110,756,205</u>
District's Covered Payroll	\$ 66,100,000	\$ 63,800,000	\$ 61,200,000	\$ 58,100,000	\$ 59,100,000	\$ 55,800,000
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	165%	170%	177%	158%	153%	124%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73%	71%	69%	70%	74%	77%
CalPERS - Schools Pool Plan	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.1509%	0.1481%	0.1458%	0.1491%	0.1534%	0.1556%
District's Proportionate Share of the Net Pension Liability	\$ 43,978,675	\$ 39,476,294	\$ 34,812,642	\$ 29,454,884	\$ 22,605,993	\$ 17,659,852
District's Covered Payroll	\$ 20,630,000	\$ 19,820,000	\$ 17,840,000	\$ 17,750,000	\$ 17,500,000	\$ 16,400,000
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	213%	199%	195%	166%	129%	108%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70%	71%	72%	74%	79%	83%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule as future data becomes available.

The amounts are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See accompanying Notes to Required Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
YEAR ENDED JUNE 30, 2020**

CalSTRS - STRP	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 10,875,727	\$ 10,759,954	\$ 9,209,588	\$ 7,700,700	\$ 6,234,213	\$ 5,248,838
Contributions in Relation to the Contractually Required Contribution	10,875,727	10,759,954	9,209,588	7,700,700	6,234,213	5,248,838
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 63,600,000	\$ 66,100,000	\$ 63,800,000	\$ 61,200,000	\$ 58,100,000	\$ 59,100,000
Contributions as a Percentage of Covered Payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS - Schools Pool Plan	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 4,217,647	\$ 3,726,234	\$ 3,078,597	\$ 2,477,571	\$ 2,102,921	\$ 2,060,153
Contributions in Relation to the Contractually Required Contribution	4,217,647	3,726,234	3,078,597	2,477,571	2,102,921	2,060,153
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 21,400,000	\$ 20,630,000	\$ 19,820,000	\$ 17,840,000	\$ 17,750,000	\$ 17,500,000
Contributions as a Percentage of Covered Payroll	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule as future data becomes available.

See accompanying Notes to Required Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund and Major Special Revenue Fund

A budgetary comparison is presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal yearend, actual amounts at fiscal yearend, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedule of Changes in the Total OPEB Liability and Related Ratios – Retiree Benefits Plan

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions. The District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors. In the future, as data becomes available, 10 years of information will be presented.

Benefit changes – None

Changes of assumptions:

2019-20

The municipal bond rate at June 30, 2019 was 3.13% and 2.45% at June 30, 2020.

2018-19

The municipal bond rate at June 30, 2018 was 3.62% and 3.13% at June 30, 2019.

Schedule of Changes in the Net OPEB Liability and Related Ratios – Medicare Premium Payment Plan

The schedule is intended to show trends about the changes in the District's actuarially determined liability for the Medicare Premium Payment plan. In the future, as data becomes available, 10 years of information will be presented.

Benefit changes – None

Changes of Assumptions:

2019-20

CalSTRS applied a new discount rate decreasing the rate from 3.87% to 3.50%.

2018-19

CalSTRS applied a new discount rate increasing the rate from 3.58% to 3.87%.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS (STRP) and CalPERS (Schools Pool Plan)

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the state's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Benefit changes – None

Changes of Assumptions:

2018-19

CalPERS Board adopted new mortality assumptions for the plan. Assumption for inflation rate was reduced from 2.75% to 2.50%. Assumption for individual salary increases and overall payroll growth was reduced from 3.00% to 2.75%.

2017-18

CalSTRS Board adopted new mortality assumptions and new mortality tables for the plan. Assumption for inflation rate was reduced from 3.00 % to 2.75%. Assumption for inflation rate was reduced from 3.00% to 2.75%. Assumption for payroll growth was reduced from 3.75% to 3.50%.

CalPERS applied a new discount rate decreasing the rate from 7.65% to 7.15%.

2015-16

CalPERS applied a new discount rate increasing the rate from 7.50% to 7.65%.

Schedule of District Contributions – CalSTRS (STRP) and CalPERS (Schools Pool Plan)

The 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, 10 years of information will be presented.

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of expenditures over appropriations in the Special Education Pass-Through Fund. Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

<u>Object Account</u>	<u>Amount</u>
Capital Outlay	\$ 3,623,064

SUPPLEMENTARY INFORMATION

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
HISTORY AND ORGANIZATION
JUNE 30, 2020**

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.

The District Board of Education and the District Administrators for the fiscal year ended June 30, 2020 were as follows:

DISTRICT BOARD OF EDUCATION

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

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Richard M. Sheehan, Ed.D.	Superintendent of Schools
Michele Doll, Ed.D.	Assistant Superintendent, Personnel Services
Elizabeth Eminhizer, Ed.D.	Assistant Superintendent, Educational Services
Eva Lueck	Interim Assistant Superintendent, Business Services/Chief Business Officer

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
YEAR ENDED JUNE 30, 2020**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2020 are as follows:

	ABB8B3C0 Second Period Report	5EBE4F35 Annual Report
Grades Transitional Kindergarten through third:		
Regular ADA	3,175.49	3,170.89
Extended year special education	3.90	3.90
Special education - nonpublic, nonsectarian schools	2.00	2.00
Extended year special education - nonpublic, nonsectarian schools	0.14	0.14
Total grades transitional kindergarten through third ADA	<u>3,181.53</u>	<u>3,176.93</u>
Grades four through six:		
Regular ADA	2,270.74	2,271.19
Extended year special education	4.17	4.17
Special education - nonpublic, nonsectarian schools	4.93	4.93
Extended year special education - nonpublic, nonsectarian schools	0.29	0.29
Total grades four through six ADA	<u>2,280.13</u>	<u>2,280.58</u>
Grades seven and eight:		
Regular ADA	1,566.45	1,567.40
Extended year special education	3.29	3.29
Special education - nonpublic, nonsectarian schools	10.47	10.47
Extended year special education - nonpublic, nonsectarian schools	0.76	0.76
Total grades seven and eight ADA	<u>1,580.97</u>	<u>1,581.92</u>
Grades nine through twelve:		
Regular ADA	4,116.44	4,117.86
Extended year special education	13.54	13.54
Special education - nonpublic, nonsectarian schools	11.92	11.92
Extended year special education - nonpublic, nonsectarian schools	1.07	1.07
Community day school	1.26	1.26
Total grades nine through twelve ADA	<u>4,144.23</u>	<u>4,145.65</u>
 Total ADA	 <u><u>11,186.86</u></u>	 <u><u>11,185.08</u></u>

See accompanying Note to Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTION TIME
YEAR ENDED JUNE 30, 2020**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Offered</u>	<u>Number of Days Offered Traditional</u>	<u>Number of Days Covered By Closure</u>	<u>Status</u>
Kindergarten	36,000	41,665	180	53	In Compliance
Grade 1	50,400	53,300	180	53	In Compliance
Grade 2	50,400	53,300	180	53	In Compliance
Grade 3	50,400	53,300	180	53	In Compliance
Grade 4	54,000	54,670	180	53	In Compliance
Grade 5	54,000	54,670	180	53	In Compliance
Grade 6	54,000	60,901	180	52	In Compliance
Grade 7	54,000	60,901	180	52	In Compliance
Grade 8	54,000	60,901	180	52	In Compliance
Grade 9	64,800	66,752	180	52	In Compliance
Grade 10	64,800	66,752	180	52	In Compliance
Grade 11	64,800	66,752	180	52	In Compliance
Grade 12	64,800	66,752	180	52	In Compliance

See accompanying Note to Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Program Name	Federal Catalog 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)	\$ 75,110	\$ -
Pass-Through Program From California Department of Education:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,535,953	-
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	130,246	-
Title I, Part G, Advanced Placement (AP) Test Fee				
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	418,013	-
Title III, English Learner Student Program	84.365	14346	104,957	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	142,741	-
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	116,968	-
Adult Basic Education & ELA (Section 231)	84.002A	14508	67,531	-
Adult Secondary Education (Section 231)	84.002A	13978	72,600	-
Adult Education: English Literacy and Civics Education	84.002A	14109	7,590	-
Special Education (IDEA) Cluster:				
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	16,930,703	14,678,147
IDEA Preschool Grants, Part B, Section 619	84.173	13430	381,156	309,708
IDEA Preschool Local Entitlement, Part B, Section 611	84.027A	13682	205,276	-
IDEA Mental Health Average Daily Attendance Allocation, Part B, Sec 611	84.027A	15197	1,167,997	1,093,822
IDEA Local Assistance Private Schools	84.027A	13431	127,550	-
IDEA Supporting Inclusive Practices	84.027A	13693	20,000	-
IDEA Alternative Dispute Resolution, Part Bm Section 611	84.173A	13007	23,840	-
Subtotal Special Education (IDEA) Cluster			18,856,522	16,081,677
IDEA Early Intervention Grants, Part C	84.181	23761	284,328	113,731
Education for Homeless Children and Youth	84.196	14332	101	-
Total U.S. Department of Education			22,812,660	16,195,408
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Program From California Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	13523	3,621,514	-
Subtotal Child Nutrition Cluster			3,621,514	-
Child and Adult Care Food Program	10.558	13393	340,420	-
Total U.S. Department of Agriculture			3,961,934	-

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See accompanying Note to Supplementary Information.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	\$ 234,964	\$ -
Subtotal Medicaid Cluster			234,964	-
Child Care and Development Fund (CCDF) Cluster:				
Child Development: Federal General and State Preschool	93.596	13609	256,360	-
Subtotal CCDF Cluster			256,360	-
Total U.S. Department of Health and Human Services			491,324	-
Total Federal Programs			\$ 27,265,918	\$ 16,195,408
Reconciliation to Federal Revenue				
Total Federal Program Expenditures			\$ 27,265,918	
Revenues in excess of expenditures related to Federal Entitlements:				
Medi-Cal Billing Option	93.778	10013	98,858	
Medi-Cal Administrative Activities	93.778	10060	414,385	
Federal Pell Grant Program (PELL)	84.063	(1)	91,115	
Child and Adult Care Food Program	10.558	13393	177,714	
Total Federal Program Revenue			\$ 28,047,990	

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See accompanying Note to Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

	2021 (Budgeted)	2020	2019	2018
Revenue	\$ 156,948,599	\$ 154,158,513	\$ 153,798,626	\$ 145,828,160
Other Sources and Transfers in	300,000	3,745,317	1,056,358	100,000
Total Revenue and Other Sources	<u>157,248,599</u>	<u>157,903,830</u>	<u>154,854,984</u>	<u>145,928,160</u>
Expenditures	155,326,701	156,956,359	153,238,004	144,126,850
Other Uses and Transfers out	1,118,664	927,743	771,066	1,054,465
Total expenditures and other uses	<u>156,445,365</u>	<u>157,884,102</u>	<u>154,009,070</u>	<u>145,181,315</u>
Change in fund balance	803,234	19,728	845,914	746,845
Ending fund balance	<u>\$ 29,786,002</u>	<u>\$ 28,982,768</u>	<u>\$ 28,963,040</u>	<u>\$ 28,117,126</u>
Available reserve	<u>\$ 23,451,307</u>	<u>\$ 22,043,268</u>	<u>\$ 20,955,117</u>	<u>\$ 19,925,344</u>
Available reserve %	15.0%	14.0%	13.6%	13.7%
ADA	<u>11,185.08</u>	<u>11,186.86</u>	<u>11,278.00</u>	<u>11,426.00</u>
Total long term debt	<u>\$ 389,458,074</u>	<u>\$ 397,040,387</u>	<u>\$ 261,071,444</u>	<u>\$ 250,892,368</u>

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends a 3% reserve of total General Fund expenditures, transfers out and other uses. The District has met this requirement for all years presented.

All percentages are of total expenditures.

The 2021 budget is the original budget adopted on June 15, 2020.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2020**

The District is not the granting agency for any Charter Schools.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

Differences between the fund balances reported on the June 30, 2020 Annual and Financial Budget Report for governmental funds and the audited financial statements are:

	Special Reserve Fund for Capital Outlay Projects
June 30, 2020 Annual Financial and Budget Report Fund Balance	\$ 2,659,887
Adjustments and Reclassifications:	
Deferred Inflows of Resources	(987,510)
June 30, 2020 Audited Financial Statement Fund Balance	<u>\$ 1,672,377</u>

See accompanying Note to Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance 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

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of article 8 (commencing with section 46200) of chapter 2 of part 26 of the Education Code.

The District closed all school sites for in person instruction effective March 16, 2020 through June 4, 2020 in response to the public health emergency associated with COVID-19. These approved school closure days may be used to meet the instructional time and day requirements pursuant to California Education Code 4600, 46021, 46207 and/or 46208. The District filed the required COVID-19 School Closure Certification with the California Department of Education (CDE) and is therefore in compliance with instructional minute and day requirements. The planned minutes covered by the COVID-19 School Closure Certification were included in the minutes offered column of this schedule but were not actually offered due to the COVID-19 school closures.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Financial Trends and Analysis

The 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

The 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Governmental Funds
ASSETS						
Cash in County Treasury	\$ 3,469,804	\$ 801,221	\$ 5,203,631	\$ 1,341,804	\$ 1,078,474	\$ 11,894,934
Cash on Hand and in Banks	20,566	4,408	5,935	-	15,000	45,909
Cash with Fiscal Agent	-	-	-	-	994,221	994,221
Cash in Revolving Fund	100	-	-	-	-	100
Accounts Receivable	386,553	361,946	355,544	4,032	600,015	1,708,090
Inventories	16,221	-	62,776	-	-	78,997
Total Assets	<u>\$ 3,893,244</u>	<u>\$ 1,167,575</u>	<u>\$ 5,627,886</u>	<u>\$ 1,345,836</u>	<u>\$ 2,687,710</u>	<u>\$ 14,722,251</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 183,715	\$ 126,346	\$ 72,738	\$ -	\$ 27,823	\$ 410,622
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Deposit on Property Exchange	-	-	-	-	987,510	987,510
FUND BALANCES						
Nonspendable	16,221	-	62,776	-	-	78,997
Restricted	3,621,304	1,041,229	5,416,164	1,345,836	364,167	11,788,700
Assigned	72,004	-	76,208	-	1,308,210	1,456,422
Total Fund Balances	<u>3,709,529</u>	<u>1,041,229</u>	<u>5,555,148</u>	<u>1,345,836</u>	<u>1,672,377</u>	<u>13,324,119</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,893,244</u>	<u>\$ 1,167,575</u>	<u>\$ 5,627,886</u>	<u>\$ 1,345,836</u>	<u>\$ 2,687,710</u>	<u>\$ 14,722,251</u>

See accompanying Note to Optional Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Governmental Funds
REVENUES						
Federal Sources	\$ 344,026	\$ 256,359	\$ 4,139,649	\$ -	\$ -	\$ 4,740,034
Other State Sources	3,812,102	1,776,444	272,459	-	-	5,861,005
Other Local Sources	580,831	1,453,504	647,434	430,608	824,438	3,936,815
Total Revenues	<u>4,736,959</u>	<u>3,486,307</u>	<u>5,059,542</u>	<u>430,608</u>	<u>824,438</u>	<u>14,537,854</u>
EXPENDITURES						
Current:						
Instruction	1,955,298	1,824,573	-	-	-	3,779,871
Instruction Related Activities	1,188,410	261,534	-	-	-	1,449,944
Pupil Services	302,956	997,699	5,535,058	-	-	6,835,713
General Administration	154,769	91,576	229,470	12,191	-	488,006
Plant Services	512,930	111,315	35,171	730,774	1,575,858	2,966,048
Total Expenditures	<u>4,114,363</u>	<u>3,286,697</u>	<u>5,799,699</u>	<u>742,965</u>	<u>1,575,858</u>	<u>15,519,582</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	622,596	199,610	(740,157)	(312,357)	(751,420)	(981,728)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	60,826	-	866,917	927,743
Transfers out	-	(200,000)	-	-	-	(200,000)
Net Financing Sources (Uses)	<u>-</u>	<u>(200,000)</u>	<u>60,826</u>	<u>-</u>	<u>866,917</u>	<u>727,743</u>
NET CHANGE IN FUND BALANCES	622,596	(390)	(679,331)	(312,357)	115,497	(253,985)
Fund Balance - Beginning of Year	<u>3,086,933</u>	<u>1,041,619</u>	<u>6,234,479</u>	<u>1,658,193</u>	<u>1,556,880</u>	<u>13,578,104</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,709,529</u>	<u>\$ 1,041,229</u>	<u>\$ 5,555,148</u>	<u>\$ 1,345,836</u>	<u>\$ 1,672,377</u>	<u>\$ 13,324,119</u>

See accompanying Note to Optional Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTE TO OPTIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 PURPOSE OF SCHEDULES

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the nonmajor funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS



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

Board of Education
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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 28, 2021.

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) as a basis for designing 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. 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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 financial statements. 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*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
April 28, 2021



**INDEPENDENT AUDITORS' 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, 2020. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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, 2020.

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.



CliftonLarsonAllen LLP

Glendora, California
April 28, 2021



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Covina-Valley Unified School District
Covina, California

We have audited Covina-Valley Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2020. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No ¹
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Yes
California Clean Energy Act	Not Applicable
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	No ²
Mode of Instruction	No ²
Nonclassroom Based Instruction/Independent Study	No ²
Determination of Funding for Nonclassroom Based Instruction	No ²
Annual Instructional Minutes – Classroom Based	No ²
Charter School Facility Grant Program	No ²

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²The District is not the granting agency for any Charter Schools.

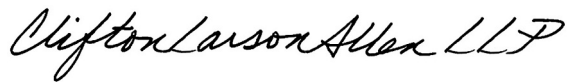
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
April 28, 2021

FINDINGS AND QUESTIONED COSTS

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

CFDA Number(s)

84.027, 84.027A, 84.173, 84.173A

Name of Federal Program or Cluster

Special Education (IDEA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 817,978

Auditee qualified as low-risk auditee?

 x yes no

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results (Continued)

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

2020 – 001 – Closing Procedures

30000

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The following items were identified as part of the audit:

- The District did not accrue the full amount of the unpaid portion of Special Education pass-through federal expenditures incurred by member LEAs through June 30, 2020. This resulted in an adjustment to recognize additional pass-through revenue and expense.
- The entries required by the *California School Accounting Manual* Procedure 710 regarding new capital leases were not recorded for two new capital leases.
- Revenue was recorded for a deposit from a property exchange agreement that had not been consummated. The amount of deposit should have been reported as a deferred inflow of resources as required by GASB 62, paragraphs 341-343.

Criteria or specific requirement:

- California Department of Education has issued revenue recognition guidance requiring recognition of all grant revenues once eligible expenditures are made.
- *California School Accounting Manual* Procedure 710 regarding capital leases states that, at inception of the lease, the District should record the capital lease in the fund acquiring the asset as a debit to Object 6400, Equipment, for the amount of the entire principal that is due. The credit is to Object 8972, Proceeds from Capital Leases.
- GASB 62 requires that real estate transactions that have not been consummated be reported using the deposit method. This method stipulates that the seller should not recognize any gain (revenue). Cash received should be reported as a deposit.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

Context: CLA noted during testing that controls over financial closing did not identify entries needed as noted above.

Effect:

- The Schedule of Expenditures of Federal Awards was understated by \$15,162,216.
- Other financing sources and equipment expenses in the Special Reserve Fund for Capital Outlay Fund were understated by \$3,545,317.
- Revenue was overstated in the Special Reserve Fund for Capital Outlay Fund by \$987,510.

Each of the transactions required journal entries to properly reflect the amounts for financial statement presentation.

Cause: Turnover in key accounting positions caused the above items to be missed.

Repeat Finding: Not a repeat finding.

Recommendation: The District should revise current closing procedures to include an additional review by fund of activity compared to budget and prior year. Unexpected variances should be investigated.

Views of responsible officials and planned corrective actions:

District closing timelines and procedures will be updated to specifically including a reasonableness review and analysis of the outlying funds. Including the SELPA (Fund 10), and Special Reserve for Capital Outlay (Fund 40) funds.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the financial statements for the year ended June 30, 2019.

FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2019.

STATE AWARDS

Finding 2019-001 – Unduplicated Local Control Funding Formula Pupil Counts 40000

Criteria: *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.

Context: 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 under claimed total enrollment by 52 and total FRPM eligible pupil by 49 for an increase in funding of approximately \$20,241.

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.

Questioned Costs and Units: 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.

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.

Current Status: Implemented.

