

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
YEAR ENDED JUNE 30, 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2021, the District adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use asset and a corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. There was no restatement required as a result of the implementation of this guidance. Our auditors' opinions are not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of budgetary comparison for the general fund, the schedule of budgetary comparison for the special education pass-through fund, the schedule of changes in the total OPEB liability, the schedule of the District's proportionate share of the net OPEB liability, the schedule of the District's proportionate share of the net pension liability and schedule of District contributions 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 GAAS, 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.

Supplementary 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 schedule of average daily attendance (ADA), schedule of instructional time, reconciliation of the annual financial and budget report with the audited financial statements, the notes to the supplementary information, the combining nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the schedule of average daily attendance (ADA), schedule of instructional time, reconciliation of the annual financial and budget report with the audited financial statements, the notes to the supplementary information, the combining nonmajor fund financial statements, and the schedule of expenditures of federal awards are 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 February 24, 2023 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
February 24, 2023

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022, with comparative information for the year ended June 30, 2021. 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 and deferred outflows of resources of the District (including capital assets), as well as all liabilities and deferred inflows of resources (including long-term liabilities). 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 (CONTINUED)
JUNE 30, 2022**

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 (CONTINUED)
JUNE 30, 2022**

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.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(59,238,707) for the fiscal year ended June 30, 2022. Of this amount, \$(98,243,852) 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

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Assets		
Current and Other Assets	\$ 198,398,665	\$ 145,755,698
Capital Assets, Net	141,716,909	151,956,838
Total Assets	<u>340,115,574</u>	<u>297,712,536</u>
Deferred Outflows of Resources	38,844,724	44,825,531
Liabilities		
Current Liabilities	68,257,909	68,121,139
Long-Term Liabilities	<u>300,576,951</u>	<u>384,465,846</u>
Total Liabilities	<u>368,834,860</u>	<u>452,586,985</u>
Deferred Inflows of Resources	69,364,145	12,468,844
Net Position		
Net Investment in Capital Assets	(38,155,115)	(34,721,241)
Restricted	77,160,260	32,486,321
Unrestricted Deficit	<u>(98,243,852)</u>	<u>(120,282,842)</u>
Total Net Position (Deficit)	<u><u>\$ (59,238,707)</u></u>	<u><u>\$(122,517,762)</u></u>

The \$(98,243,852) 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 (CONTINUED)
JUNE 30, 2022**

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	
	2022	2021
Revenues		
Program Revenues:		
Charges for Services	\$ 8,886,526	\$ 5,561,819
Operating Grants and Contributions	176,220,642	146,849,381
General Revenues:		
Federal and State Aid not Restricted	100,461,288	93,116,527
Property Taxes	45,211,818	44,128,928
Other General Revenues	818,161	500,176
Extraordinary Items:		
Loss on Disposal of Capital Assets	-	(819,762)
Total Revenues	<u>331,598,435</u>	<u>289,337,069</u>
Expenses		
Instruction-Related	112,146,959	123,998,050
Pupil Services	17,666,816	16,453,614
Administration	10,366,082	12,431,058
Plant Services	15,134,285	14,921,071
All Other Services	<u>113,005,238</u>	<u>112,039,675</u>
Total Expenses	<u>268,319,380</u>	<u>279,843,468</u>
Change in Net Position	63,279,055	9,493,601
Net Position - Beginning of Year, as Restated	<u>(122,517,762)</u>	<u>(132,011,363)</u>
Net Position - End of Year	<u><u>\$ (59,238,707)</u></u>	<u><u>\$(122,517,762)</u></u>

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities

As reported in the *Statement of Activities*, the cost of all our governmental activities this year was \$268,319,380. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$45,211,818 because the cost was paid by those who benefited from the programs in the amount of \$8,886,526 or by other governments and organizations who subsidized certain programs with grants and contributions of \$176,220,642. We paid for the remaining "public benefit" portion of our governmental activities with \$101,279,449 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	
	2022	2021	2022	2021
Instruction-Related	\$ 112,146,959	\$ 123,998,050	\$ 58,492,650	\$ 75,376,821
Pupil Services	17,666,816	16,453,614	(6,227,782)	3,181,847
Administration	10,366,082	12,431,058	8,645,251	8,145,695
Plant Services	15,134,285	14,921,071	6,022,251	12,455,482
All Other Services	113,005,238	112,039,675	16,279,842	28,272,423
Total	<u>\$ 268,319,380</u>	<u>\$ 279,843,468</u>	<u>\$ 83,212,212</u>	<u>\$ 127,432,268</u>

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$133,395,338, which is a net increase of \$50,798,154 from last year (Table 4).

Table 4

	Balance and Activity			
	July 1, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General Fund	\$ 46,415,872	\$ 181,202,729	\$ 166,267,594	\$ 61,351,007
Special Education				
Pass-Through Fund	-	89,709,239	89,709,239	-
Associated Student				
Body Fund	442,045	2,010,250	1,711,270	741,025
Adult Education Fund	3,875,055	5,239,740	4,512,309	4,602,486
Child Development Fund	541,362	3,742,446	3,350,587	933,221
Cafeteria Fund	6,362,897	7,863,228	6,692,175	7,533,950
Building Fund	12,614,746	75,019	1,359,620	11,330,145
Capital Facilities Fund	1,628,405	937,756	304,251	2,261,910
Special Reserve Fund for				
Capital Outlay Projects	1,922,670	33,855,276	687,462	35,090,484
Bond Interest and				
Redemption Fund	8,794,132	62,174,559	61,417,580	9,551,111
Total	<u>\$ 82,597,184</u>	<u>\$ 386,810,242</u>	<u>\$ 336,012,087</u>	<u>\$ 133,395,339</u>

Below is a breakdown of increases and decreases:

- 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 \$14,935,135.

- The Associated Student Body Fund (ASB) is used to account separately for local resources to operate the ASB program. The ASB fund increased by \$0.30 million.
- The Adult Education Fund is used to account separately for Federal, State, and local resources to operate the Adult Education program. The Adult Education Program increased by \$0.73 million.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

THE DISTRICT'S FUNDS (CONTINUED)

- The Child Development Fund is used to account separately for state and federally subsidized child program centers, including preschool and school-age programs. The Child Development fund increased by \$0.39 million.
- The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the Nutrition Services program. The Cafeteria Fund increased by \$1.17 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 \$1.28 million as the District continues to complete voter-approved capital projects.
- The Special Reserve Fund for Capital Outlay Projects is primarily utilized to account for specific Board-approved capital projects. The fund balance in the Special Reserve Fund for Capital Projects increased by \$33,167,814 as a result of two property exchange transactions that were completed in 2021-22.
- The Bond Interest and Redemption Fund are used for the repayment of bonds issued by the District. The Bond Interest and Redemption fund increased by \$.76 million.

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 \$51.20 million, based on final budgetary revisions through June 30, 2022. Based on year-end totals, the ending fund balance was \$50.82 million, reflecting an \$0.38 million decrease over earlier projections.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$141,716,909 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 \$10,239,929, or 6.7%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021
Land and Construction in Progress	\$ 4,797,627	\$ 12,411,148
Buildings and Improvements	136,103,728	138,747,188
Equipment	815,554	798,502
Total	<u>\$ 141,716,909</u>	<u>\$ 151,956,838</u>

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

This year's additions included mainly site and building improvements. The District sold the Vincent Children's Center and Pioneer Center in the 2021-22, accounting for \$304,980 decrease in Buildings and Improvements.

Several capital projects are planned for the 2022-23 year. We present more detailed information about our capital assets in Note 8 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$308,276,501 in long-term liabilities outstanding versus \$391,133,336 last year, a decrease of 21.18%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021
General Obligation Bonds, Net (Financed with Property Taxes)	\$ 209,033,667	\$ 213,153,068
Qualified Zone Academy Bonds	481,058	939,217
Financed Purchase Obligation	1,125,973	2,027,559
Compensated Absences	1,502,113	1,959,876
Early Retirement Incentives	49,000	80,000
Net Pension Liability	83,761,453	158,395,602
Net OPEB Liability	12,323,237	14,578,014
Total	<u>\$ 308,276,501</u>	<u>\$ 391,133,336</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% 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 liabilities include payable compensated absences, aggregate net OPEB liability, and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of \$83,761,453 versus \$158,395,602 last year, a decrease of \$74,634,149, or 47.12% as a result of increased investment earnings in the CalSTRS and CalPERS pension investment pools.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the 2022-2023 fiscal year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

- LCFF Revenue is budgeted at \$11,414 per ADA, comprised of 6.56 percent COLA and 69.32 percent Unduplicated. Enrollment. Projections indicate a decline in student population that directly affects the LCFF Revenue Funding. Projected Second Period Apportionment (P2 ADA) is projected at 10,492, including 34 Los Angeles County Office of Education operated programs ADA. The District is projected to be funded on ADA of 11,209.
- LCFF income is budgeted at \$127.83 million, a decrease of \$112,778. This included property tax revenues budgeted at \$30.07 million.
- Federal income is budgeted at \$13.67 million, a decrease of \$0.25 million from prior year due to the one-time federal stimulus monies the District received in response to the COVID-19 pandemic.
- Other State income is budgeted at \$29.26 million, a decrease of \$2.43 million from prior year due to one-time state stimulus monies the District received in response to the COVID-19 pandemic and to address learning loss.
- Other Local income is budgeted at \$5.52 million, a decrease of \$0.31 million from the prior year, mainly attributed to a projected decrease in donation revenue which is budgeted when cash is received.

Expenditures are based on the following forecasts:

- Health and Welfare costs are expected to increase by \$1.62 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 19.10% for 2022-23, 2023-24 and 2024-25. The current approved CalPERS rates are 25.37%, 25.20%, and 24.60% for 2022-23, 2023-24, and 2024-25 respectively.
- Salaries were projected to be \$90.07 million which includes an anticipated increase of \$1.81 million from prior year.
- Liability and property damage insurance is budgeted at \$1.07 million.
- Utilities and other operating costs are budgeted at \$3.22 million.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

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, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 172,477,010
Receivables	23,926,553
Prepaid Expenses	603,372
Stores Inventories	277,662
Lease Receivables	1,114,068
Land	2,548,071
Construction in Process	2,249,556
Depreciable Assets, Net	<u>136,919,282</u>
Total Assets	<u>340,115,574</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding	7,646,189
Deferred Outflows - OPEB	2,072,304
Deferred Outflows - Pensions	<u>29,126,231</u>
Total Deferred Outflows of Resources	<u>38,844,724</u>
LIABILITIES	
Accounts Payable	52,916,784
Accrued Interest Payable	1,927,719
Unearned Revenue	3,441,723
Claims Liability	2,272,133
Current Portion of Long-Term Liabilities	9,971,683
Noncurrent Portion of Long-Term Liabilities	<u>298,304,818</u>
Total Liabilities	<u>368,834,860</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Leases	1,114,068
Deferred Inflows - Unavailable Revenue	987,510
Deferred Inflows - OPEB	1,842,757
Deferred Inflows - Pensions	<u>65,419,810</u>
Total Deferred Inflows of Resources	<u>69,364,145</u>
NET POSITION	
Net Investment in Capital Assets	(38,155,115)
Restricted for:	
Debt Service	7,623,392
Capital Projects	37,352,393
Educational Programs	19,815,179
Other Activities	12,369,296
Unrestricted (Deficit)	<u>(98,243,852)</u>
Total Net Position	<u><u>\$ (59,238,707)</u></u>

See accompanying Notes to Financial Statements.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

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	\$ 96,428,730	\$ 1,470,433	\$ 43,557,941	\$ (51,400,356)
Instruction-Related Activities	15,718,229	557,847	8,068,088	(7,092,294)
Pupil Services	17,666,816	923,511	22,971,087	6,227,782
Administration	10,366,082	46,741	1,674,090	(8,645,251)
Plant Services	15,134,285	582,721	8,529,313	(6,022,251)
Ancillary Services	1,711,671	2,010,463	2,943	301,735
Other Outgo	93,626,138	3,294,810	91,417,180	1,085,852
Debt Service - Interest	4,938,739	-	-	(4,938,739)
Depreciation	12,728,690	-	-	(12,728,690)
Total Governmental Activities	<u>\$ 268,319,380</u>	<u>\$ 8,886,526</u>	<u>\$ 176,220,642</u>	(83,212,212)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				29,887,522
Property Taxes, Levied for Debt Service				14,236,140
Taxes Levied for Other Specific Purposes				1,088,156
Federal and State Aid not Restricted to Specific Purposes				100,461,288
Interest and Investment Earnings				473,860
Miscellaneous				<u>344,301</u>
Total General Revenues				<u>146,491,267</u>
CHANGE IN NET POSITION				63,279,055
Net Position - Beginning of Year				<u>(122,517,762)</u>
NET POSITION - END OF YEAR				<u>\$ (59,238,707)</u>

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Special Education Pass-Through Fund	Special Reserve for Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash in County Treasury	\$ 68,717,930	\$ 19,092,019	\$ 3,501,368	\$ 35,780,040	\$ 127,091,357
Cash on Hand and in Banks	-	-	-	863,590	863,590
Cash in Revolving Fund	35,000	-	-	-	35,000
Cash with Fiscal Agent	-	-	32,500,810	-	32,500,810
Cash Coll. Awaiting Deposit	558,048	-	75,000	695,076	1,328,124
Accounts Receivable	10,001,763	12,273,158	37,723	1,299,621	23,612,265
Prepaid Expenditures	583,372	-	-	20,000	603,372
Stores Inventories	87,686	-	-	189,976	277,662
Lease Receivable	1,114,068	-	-	-	1,114,068
Total Assets	<u>\$ 81,097,867</u>	<u>\$ 31,365,177</u>	<u>\$ 36,114,901</u>	<u>\$ 38,848,303</u>	<u>\$ 187,426,248</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 15,191,069	\$ 31,365,177	\$ 36,907	\$ 1,894,456	\$ 48,487,609
Unearned Revenue	3,441,723	-	-	-	3,441,723
Total Liabilities	<u>18,632,792</u>	<u>31,365,177</u>	<u>36,907</u>	<u>1,894,456</u>	<u>51,929,332</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources - Leases	1,114,068	-	-	-	1,114,068
Unavailable Revenue - Deposit on Property Exchange	-	-	987,510	-	987,510
Total Deferred Inflows of Resources	<u>1,114,068</u>	<u>-</u>	<u>987,510</u>	<u>-</u>	<u>2,101,578</u>
FUND BALANCES					
Nonspendable	706,058	-	-	209,976	916,034
Restricted	14,292,660	-	35,090,484	36,743,871	86,127,015
Committed	16,750,000	-	-	-	16,750,000
Assigned	12,512,299	-	-	-	12,512,299
Unassigned	17,089,990	-	-	-	17,089,990
Total Fund Balances	<u>61,351,007</u>	<u>-</u>	<u>35,090,484</u>	<u>36,953,847</u>	<u>133,395,338</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 81,097,867</u>	<u>\$ 31,365,177</u>	<u>\$ 36,114,901</u>	<u>\$ 38,848,303</u>	<u>\$ 187,426,248</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, 2022**

Total Fund Balance - Governmental Funds \$ 133,395,338

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	\$ 2,548,071	
Construction in Process	2,249,556	
Depreciable Assets, Net	<u>136,919,282</u>	141,716,909

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	203,233,780	
Unamortized Premium	5,799,887	
Qualified Zone Academy Bonds	481,058	
Financed Purchase Obligation	1,125,973	
Compensated Absences	1,502,113	
Aggregate net OPEB liability	12,323,237	
Early Retirement Incentives	49,000	
Net Pension Liability	<u>83,761,453</u>	(308,276,501)

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	7,646,189	
Deferred Outflows - OPEB	2,072,304	
Deferred Outflows - Pensions	29,126,231	
Deferred Inflows - OPEB	(1,842,757)	
Deferred Inflows - Pensions	<u>(65,419,810)</u>	(28,417,843)

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.

4,271,109

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.

(1,927,719)

Total Net Position (Deficit) - Governmental Activities

\$ (59,238,707)

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	\$ 127,973,889	\$ -	\$ -	\$ -	\$ 127,973,889
Federal Sources	14,087,687	20,532,894	-	8,119,201	42,739,782
Other State Sources	33,196,404	69,176,345	-	6,411,670	108,784,419
Other Local Sources	5,944,749	-	404,408	19,662,127	26,011,284
Total Revenues	181,202,729	89,709,239	404,408	34,192,998	305,509,374
EXPENDITURES					
Instruction	104,537,790	-	-	4,116,681	108,654,471
Instruction-Related Activities	16,280,299	-	-	1,834,373	18,114,672
Pupil Services	12,093,548	-	-	7,545,431	19,638,979
Ancillary Services	-	-	-	1,711,670	1,711,670
General Administration	10,260,480	-	-	930,278	11,190,758
Plant Services	16,636,631	-	687,462	2,297,610	19,621,703
Other Outgo	4,882,978	89,709,239	-	-	94,592,217
Debt Service	-	-	-	13,567,580	13,567,580
Total Expenditures	164,691,726	89,709,239	687,462	32,003,623	287,092,050
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	16,511,003	-	(283,054)	2,189,375	18,417,324
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In	-	-	1,575,868	-	1,575,868
Proceeds from Sale of Refunding Bonds	-	-	-	47,850,000	47,850,000
Proceeds from Property Exchange	-	-	31,875,000	-	31,875,000
Interfund Transfers Out	(1,575,868)	-	-	-	(1,575,868)
Deposit to Refunding Bond Escrow	-	-	-	(47,344,169)	(47,344,169)
Net Financing Sources (Uses)	(1,575,868)	-	33,450,868	505,831	32,380,831
NET CHANGE IN FUND BALANCES	14,935,135	-	33,167,814	2,695,206	50,798,155
Fund Balances - Beginning of Year	46,415,872	-	1,922,670	34,258,641	82,597,183
FUND BALANCES - END OF YEAR	<u>\$ 61,351,007</u>	<u>\$ -</u>	<u>\$ 35,090,484</u>	<u>\$ 36,953,847</u>	<u>\$ 133,395,338</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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 50,798,155

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. Also, losses on the disposal of capital assets are recognized in the statement of activities.

Capital Outlays	\$ 3,149,113	
Depreciation Expense	(12,728,690)	
Loss on Disposal of Capital Assets	<u>(660,351)</u>	(10,239,928)

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		(47,850,000)
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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	49,635,000	
Qualified Zone Academy Bonds	458,159	
Financed Purchase Obligation	<u>901,586</u>	50,994,745

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

72,738

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

11,805,322

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	3,248,823	
Net Decrease in Accrued Interest	866,956	
Increase in Accreted Interest	(1,085,711)	
Net Decrease in Bond Premium	3,420,112	
Decrease in Compensated Absences	457,763	
Decrease in Early Retirement Incentive	<u>31,000</u>	6,938,943

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.

759,080

Change in Net Position of Governmental Activities		<u><u>\$ 63,279,055</u></u>
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See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Governmental Activities <u>Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash in County Treasury	\$ 10,007,673
Cash with Fiscal Agent	581,602
Cash Coll. Awaiting Deposit	68,854
Accounts Receivable	<u>314,288</u>
Total Current Assets	<u>10,972,417</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,429,175
Noncurrent Liabilities:	
Claims Liability	<u>2,272,133</u>
Total Liabilities	<u>6,701,308</u>
NET POSITION	
Restricted	<u><u>\$ 4,271,109</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, 2022**

	Internal Service Fund
OPERATING REVENUES	
In-District Premiums	\$ 19,932,489
Other Local Sources	<u>274,172</u>
Total Operating Revenues	20,206,661
OPERATING EXPENSES	
Other Operating Costs	<u>19,481,014</u>
Total Operating Income	725,647
NONOPERATING REVENUE	
Interest Income	<u>33,433</u>
CHANGE IN NET POSITION	759,080
Net Position - Beginning of Year	<u>3,512,029</u>
NET POSITION - END OF YEAR	<u><u>\$ 4,271,109</u></u>

See accompanying Notes to Financial Statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from In-District Services Provided	\$ 20,199,773
Other Operating Cash Receipts	274,172
Cash Payments to Suppliers and for Claims	<u>(19,303,977)</u>
Net Cash Provided by Operating Activities	1,169,968
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>(461)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,169,507
Cash and Cash Equivalents - Beginning of Year	<u>9,488,622</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 10,658,129</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 725,647
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Net Assets and Liabilities:	
Receivables	267,284
Accounts Payable	196,365
Claims Liability	<u>(19,328)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,169,968</u></u>
Cash and Cash Equivalents Consist of:	
Cash in County Treasury	\$ 10,007,673
Cash with Fiscal Agent	581,602
Cash Coll. Awaiting Deposit	68,854
Total	<u><u>\$ 10,658,129</u></u>

See accompanying Notes to Financial Statements.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Covina Valley Unified School District (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.

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 and proprietary funds.

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, 2022

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 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 Activities: 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.

Ancillary Services: includes activities that are generally designed to provide students with experiences outside the regular school day.

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, 2022

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. The Special Reserve Fund for Other Than Capital Outlay has been consolidated with the General Fund in accordance with GAAP.

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.

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

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.

Student Activity Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The amounts reported represent the combined totals of all schools within the District that operate Associated Student Body Funds.

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, 2022

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.

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.

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

Debt Service Funds: used to account for the financial resources that are restricted, committed, or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

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

Proprietary Funds

Self-Insurance Fund

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

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, with the exception of state apportionment, interest, and reimbursement grants which are considered available as collectible within one year.

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, and in the presentation and recognition of expenses versus expenditures.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022, the inventory for supplies is \$100,874 and the inventory of the student store is \$92,540. The inventory for food is \$84,248.

Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2022, 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.

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 to 50 Years
Furniture and Equipment	5 to 15 Years

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

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the statement of net position is related to debt refunding, pensions, and other postemployment benefits. The deferred charge on refunding resulted from the difference between 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 on pension and other postemployment benefits are more fully discussed in Notes 13 and 14.

In addition to liabilities, the statement of financial position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements. The District's deferred inflows of resources reported on the statement of net position relate to leases, pension, and other postemployment benefits, which are more fully discussed in Notes 10, 13, and 14.

Under the modified accrual basis of accounting, deferred inflows of resources also include revenues not collected within the availability period after the fiscal year-end. The District has reported deferred inflows of resources related to unavailable revenues for the property exchange transaction as described in Note 17. These amounts are deferred and will be recognized as an inflow of resources in the period that amounts become available.

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.

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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lessor

The District is a lessor for a noncancellable lease of land. The District recognizes a lease receivable and a deferred inflow of resources in the applicable governmental activities in the government-wide and in the governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 effective interest 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Committed Amounts that are constrained to a specific purpose by the District itself and cannot be used for any other purpose unless approved by the Board of Education.

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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

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.

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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Adoption of New Accounting Standards – GASB Statement No. 87, Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The district adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption. There was no restatement required as a result of this implementation. The implementation of this standard resulted in the District reporting a lease receivable and a deferred inflow of resources disclosed in Note 5.

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 and the Special Education Pass-Through Special Revenue Fund are presented in the budgetary comparison schedules 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, 2022**

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, 2022, \$1,958,169 of the District's bank balance of \$2,514,330 was exposed to credit risk as follows:

	<u>June 30, 2022</u>
District's Bank Balance:	
Uninsured and Collateral Held by Pledging Bank's	
Trust Department not in the District's Name	\$ 1,958,169
Total	<u>\$ 1,958,169</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, 2022, is measured at 99.43894% 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, 2022

NOTE 4 RECEIVABLES

Accounts receivable as of June 30, 2022, consist of the following:

	General Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay	Nonmajor Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal and State	\$ 9,141,356	\$ 12,273,158	\$ -	\$ 1,240,130	\$ -	\$ 22,654,644
Miscellaneous	860,407	-	37,723	59,491	314,288	1,271,909
Total	<u>\$ 10,001,763</u>	<u>\$ 12,273,158</u>	<u>\$ 37,723</u>	<u>\$ 1,299,621</u>	<u>\$ 314,288</u>	<u>\$ 23,926,553</u>

NOTE 5 LEASE RECEIVABLE

The Entity, acting as lessor, leases land under a long-term, noncancelable lease agreement. The lease requires annual installments totaling \$67,000 plus interest at 3.65%. During the year ended June 30, 2022, the Entity recognized lease revenue of \$42,734 and interest revenue of \$37,910 pursuant to the contract. The lease expires in March 2048 and provides for two renewal options of 10 years each.

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,575	\$ 40,425	\$ 67,000
2024	27,561	39,439	67,000
2025	28,584	38,416	67,000
2026	29,645	37,355	67,000
2027	30,745	36,255	67,000
2028-2032	171,716	163,284	335,000
2033-2037	206,039	128,961	335,000
2038-2042	247,222	87,778	335,000
2043-2047	296,637	38,363	335,000
2048	49,344	906	50,250
Total	<u>\$ 1,114,068</u>	<u>\$ 611,182</u>	<u>\$ 1,725,250</u>

NOTE 6 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers (Continued)

Interfund transfers for the 2021-22 fiscal year are as follows:

	<u>Amount</u>
Interfund Transactions:	
Transfer from General Fund to Special Reserve for	
Capital Outlay for RDA Facilities Portion	\$ 1,575,868
Total	<u>\$ 1,575,868</u>

NOTE 7 FUND BALANCES

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

	General Fund	Special Reserve for Capital Outlay	Nonmajor Governmental Funds	Total
Nonspendable:				
Revolving Cash	\$ 35,000	\$ -	\$ -	\$ 35,000
Stores Inventories	87,686	-	189,976	277,662
Prepaid Expenditures	583,372	-	20,000	603,372
Total Nonspendable	706,058	-	209,976	916,034
Restricted:				
Legally Restricted Programs	14,292,660	-	-	14,292,660
Student Activity Fund	-	-	648,485	648,485
Adult Education Program	-	-	4,589,298	4,589,298
Child Development Program	-	-	933,221	933,221
Student Nutrition Program	-	-	7,449,702	7,449,702
Capital Projects	-	35,090,484	13,572,054	48,662,538
Debt Service	-	-	9,551,111	9,551,111
Total Restricted	14,292,660	35,090,484	36,743,871	86,127,015
Committed:				
General Fund	16,750,000	-	-	16,750,000
Total Committed	16,750,000	-	-	16,750,000
Assigned:				
Other Assignments	10,530,283	-	-	10,530,283
21-22 Retroactive Payroll	1,982,016	-	-	1,982,016
Total Assigned	12,512,299	-	-	12,512,299
Unassigned:				
Reserve for Economic				
Uncertainties	5,156,028	-	-	5,156,028
Unassigned	11,933,962	-	-	11,933,962
Total Unassigned	17,089,990	-	-	17,089,990
Total	<u>\$ 61,351,007</u>	<u>\$ 35,090,484</u>	<u>\$ 36,953,847</u>	<u>\$ 133,395,338</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 2,853,051	\$ -	\$ 304,980	\$ 2,548,071
Construction in Progress	9,558,097	2,927,294	10,235,835	2,249,556
Total Capital Assets Not Being Depreciated	12,411,148	2,927,294	10,540,815	4,797,627
Capital Assets Being Depreciated:				
Land Improvements	88,791,739	484,695	-	89,276,434
Buildings and Improvements	197,434,827	9,751,050	590,719	206,595,158
Furniture and Equipment	13,633,222	221,818	-	13,855,040
Right-to-Use Lease Equipment	-	-	-	-
Total Capital Assets Being Depreciated	299,859,788	10,457,563	590,719	309,726,632
Less: Accumulated Depreciation for:				
Land Improvements	55,980,746	4,361,330	-	60,342,076
Buildings and Improvements	91,498,632	8,162,594	235,438	99,425,788
Furniture and Equipment	12,834,720	204,766	-	13,039,486
Right-to-Use Lease Equipment	-	-	-	-
Total Accumulated Depreciation	160,314,098	12,728,690	235,438	172,807,350
Depreciable Assets, Net	139,545,690	(2,271,127)	355,281	136,919,282
Governmental Activities Capital Assets, Net	<u>\$ 151,956,838</u>	<u>\$ 656,167</u>	<u>\$ 10,896,096</u>	<u>\$ 141,716,909</u>

NOTE 9 LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2022, is shown below.

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Amount Due in One Year
General Obligation Bonds	\$ 203,933,069	\$ 48,935,711	\$ 49,635,000	\$ 203,233,780	\$ 9,110,000
Premium on General Obligation Bonds	9,219,999	-	3,420,112	5,799,887	-
Total General Obligation Bonds	213,153,068	48,935,711	53,055,112	209,033,667	9,110,000
Qualified Zone Academy Bonds	939,217	-	458,159	481,058	481,058
Financed Purchase Obligation	2,027,559	-	901,586	1,125,973	356,125
Compensated Absences	1,959,876	-	457,763	1,502,113	-
Early Retirement Incentives	80,000	-	31,000	49,000	24,500
Net Pension Liability	158,395,602	-	74,634,149	83,761,453	-
Net OPEB Liability	14,578,014	73,700	2,328,477	12,323,237	-
	<u>\$ 391,133,336</u>	<u>\$ 49,009,411</u>	<u>\$ 131,866,246</u>	<u>\$ 308,276,501</u>	<u>\$ 9,971,683</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 LONG-TERM DEBT – SCHEDULE OF CHANGES (CONTINUED)

Liabilities are liquidated by the General Fund for governmental activities, including leases, compensated absences, early retirement incentives, 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 10 FINANCED PURCHASE OBLIGATION

The District finances equipment valued at approximately \$3,760,000 under an agreement which provides for title to pass upon expiration of the finance period. Future minimum payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 386,734
2024	386,734
2025	386,734
2026	25,909
Total	1,186,111
Less: Amount Representing Interest	(60,138)
Present Value of Net Minimum Payments	<u>\$ 1,125,973</u>

NOTE 11 GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2022, 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, 2022</u>
2001 Election, Series B (2003)	6/19/2003	6/1/2028	2.20%-5.20%	\$ 30,000,000	\$ 19,038,780
2012 Election, Series B (2015)	7/9/2015	8/1/2044	2.00%-5.00%	37,000,000	4,470,000
2012 Election, Series C-1 (2016)	8/10/2016	8/1/2024	N/A	6,000,000	2,130,000
2012 Election, Series C (2017)	8/31/2016	8/1/2036	3.00%-5.00%	12,000,000	12,000,000
2012 Election, Series D (2017)	6/14/2017	8/1/2046	2.00%-5.00%	30,000,000	28,515,000
2012 Election, Series E (2018)	9/6/2018	8/1/2046	3.13%-4.00%	14,000,000	13,600,000
2013 Refunding (2013)	5/9/2013	8/1/2031	2.00%-5.00%	40,500,000	3,715,000
2016 Refunding (2016)	8/31/2016	8/1/2032	3.00%-4.00%	16,410,000	15,335,000
2019 Refunding (2019)	9/5/2019	8/1/2049	1.87%-3.26%	58,690,000	56,580,000
2021 Refunding (2021)	12/14/2021	8/1/2044	0.45%-3.06%	47,850,000	47,850,000
Total					<u>\$ 203,233,780</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

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, 2022, the principal balance outstanding of the 2001 Election General Obligation Bonds, Series B was \$19,038,780. Unamortized premium received on issuance of the bonds amounted to \$474,050 as of June 30, 2022.

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, 2022, the principal balance outstanding was \$3,715,000. Unamortized premium received on issuance of the bonds amounted to \$235,563 as of June 30, 2022.

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, 2022, the principal balance outstanding was \$4,470,000. Unamortized premium received on issuance of the bonds amounted to \$517,878 as of June 30, 2022.

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, 2022, the principal balance outstanding was \$2,130,000.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

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, 2036. 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, 2022, the principal balance outstanding was \$12,000,000. Unamortized premium received on issuance of the bonds amounted to \$719,998 as of June 30, 2022.

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, 2022, the principal balance outstanding was \$15,335,000. Unamortized premium received on issuance of the bonds amounted to \$2,057,837 as of June 30, 2022.

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, 2022, the principal balance outstanding was \$28,515,000. Unamortized premium received on issuance of the bonds amounted to \$157,619 as of June 30, 2022.

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, 2022, the principal balance outstanding was \$13,600,000. Unamortized premium received on issuance of the bonds amounted to \$1,629,868 as of June 30, 2022.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

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. At June 30, 2022, the principal balance outstanding was \$56,580,000. The balance in the escrow account as of June 30, 2022, is \$45,643,312. The bonds will be paid off on August 1, 2023.

2021 General Obligation Refunding Bonds

On December 14, 2021, the District issued the federally taxable 2021 General Obligation Refunding Bonds in the amount of \$47,850,000 with interest rate yields of 0.45% to 3.06%. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2044. The net proceeds of \$47,344,169 (representing the principal amount of \$47,850,000, less cost of issuance of \$505,831) from the issuance will be used to advance refund a portion of the District's outstanding 2012 General Obligation Bonds Series A, 2012 General Obligation Bonds Series B and 2013 General Obligation Refunding Bonds, and to pay the cost of issuing the Refunding Bonds. The refunding resulted in a cash flow savings of \$6,133,480 and a net present value gain of \$4,174,390. At June 30, 2022, the principal balance outstanding was \$47,850,000. The balance in the escrow account as of June 30, 2022 is \$47,805,372. The bonds will be paid off on July 31, 2025.

Debt Service Requirements to Maturity

The bonds mature through 2050 as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest</u>	<u>Total</u>
2023	\$ 7,243,312	\$ 1,866,688	\$ 5,777,526	\$ 14,887,526
2024	7,259,737	2,015,263	5,622,390	14,897,390
2025	8,084,308	2,115,692	5,485,951	15,685,951
2026	7,870,098	2,259,902	5,358,211	15,488,211
2027	8,964,697	3,725,303	5,196,319	17,886,319
2028-2032	39,549,288	3,975,712	22,993,040	66,518,040
2033-2037	26,295,000	-	17,063,527	43,358,527
2038-2042	31,755,000	-	12,661,813	44,416,813
2043-2047	48,565,000	-	5,899,672	54,464,672
2048-2050	5,835,000	-	256,723	6,091,723
Total	191,421,440	\$ 15,958,560	\$ 86,315,172	\$ 293,695,172
Accreted Interest	11,812,340			
Total	<u>\$ 203,233,780</u>			

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 GENERAL OBLIGATION BONDS (CONTINUED)

Qualified Zone Academy Bonds (QZAB)

On December 19, 2008, the District entered into an agreement whereby the District is purchasing 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, 2022, the outstanding balance on the QZABs is \$485,869.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 481,058	\$ 4,811	\$ 485,869
Total	\$ 481,058	\$ 4,811	\$ 485,869

NOTE 12 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, 2022, the balance of obligations associated with the supplemental retirement plans was \$49,000. The early retirement incentives have future payments as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 24,500
2024	18,500
2025	6,000
Total	\$ 49,000

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expenses
District Plan	\$ 11,495,200	\$ 2,072,304	\$ 1,842,757	\$ 932,631
Medicare Premium Payment (MPP) Program	828,037	-	-	73,700
Total	<u>\$ 12,323,237</u>	<u>\$ 2,072,304</u>	<u>\$ 1,842,757</u>	<u>\$ 1,006,331</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. 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, 2022, the Plan membership consisted of the following:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	47
Active Employees	989
Total	<u>1,036</u>

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 2021-22, the District paid \$434,303 in benefits.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Total OPEB Liability of the District

The District's total OPEB liability of \$11,495,200 was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, 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	3.69%
Healthcare Cost Trend Rates	5.75%

The discount rate was based on the Fidelity General Obligation AA 20 Years Municipal Index.

Pre-retirement mortality rates were based on the Mortality Rates for active employees from CalSTRS Experience Analysis (2015-2018) or Pre-retirement Mortality Rates from CalPERS Experience Study (2000-2019). Post-retirement mortality rates were based on either the Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2015-2018) or the Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance - June 30, 2021	\$ 13,823,677
Changes for the Year:	
Service Cost	449,086
Interest	263,583
Differences Between Expected and Actual Experience	(228,862)
Changes in Assumptions	(1,733,215)
Benefit Payments	(1,079,069)
Net Change in Total OPEB Liability	<u>(2,328,477)</u>
Balance - June 30, 2022	<u>\$ 11,495,200</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 1.92% to 3.69% 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, 2022

NOTE 13 POSTEMPLOYMENT 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 one percent higher than the current rate:

Discount Rate	Total OPEB Liability
1% Decrease (2.69%)	\$ 12,556,127
Current Discount Rate (3.69%)	11,495,200
1% Increase (4.69%)	10,540,001

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 one percent higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Total OPEB Liability
1% Decrease (4.75%)	\$ 10,738,294
Current Healthcare Cost Rate Trend (5.75%)	11,495,200
1% Increase (6.75%)	12,366,485

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

At June 30, 2022, 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	\$ 1,133,816	\$ (1,648,054)
Differences Between Expected and Actual Experience	938,488	(194,703)
Total	<u>\$ 2,072,304</u>	<u>\$ (1,842,757)</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 POSTEMPLOYMENT 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 6.7 years and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 219,962
2024	219,962
2025	219,962
2026	8,081
2027	(256,897)
Thereafter	(181,523)
Total	<u>\$ 229,547</u>

Medicare Premium Payment (MPP) Program

Plan Description and Eligibility

The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to California state statute. CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible California full-time and part-time public school teachers from pre-kindergarten through community college 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 MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program. For the plan year ending June 30, 2021, 5,760 retirees participated in the MPP Program.

Funding Policy

The MPP Program is funded on a pay-as-you go basis from a portion of monthly employer contributions. In accordance with California Education Code, contributions that would otherwise be credited to the CalSTRS defined benefit pension program (STRP) each month are instead credited to the MPP Program to fund monthly program and administrative costs. These contributions are generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds remaining within the MPP Program as of June 30, 2021, 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Medicare Premium Payment (MPP) Program (Continued)

Funding Policy (Continued)

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. Total aggregate employer contributions of all participating employers to the MPP Program for fiscal year 2020-21 were \$26.99 million. The District's contributions to the MPP Program for fiscal year 2020-21 were estimated at \$56 thousand.

Net OPEB Liability

As of June 30, 2022, the District reported a net OPEB liability for its proportionate share of the MPP total OPEB liability, fiduciary net position and net OPEB liability as follows:

	Balance June 30, 2022
Proportionate Share of OPEB Liability:	
Total OPEB Liability	\$ 821,447
Plan Fiduciary Net Position	(6,590)
Net OPEB Liability	<u>\$ 814,857</u>

As the MPP Program is funded on a pay-as-you-go basis from redirected contributions from the STRP, the District has elected to calculate their proportionate share based on Schedule C of the audited proportionate share schedules of the MPP Program. This schedule presents the projection of the District's long-term share of contributions to the STRP relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.2076% which is an increase of 0.0296% from its proportion measured as of June 30, 2020.

Actuarial Methods and Assumptions

Total OPEB liability for the MPP Program was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	2.16%
Medicare Part A Premium Costs Trend Rate	4.50%
Medicare Part B Premium Costs Trend Rate	5.40%

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Medicare Premium Payment (MPP) Program (Continued)

Actuarial Methods and Assumptions (Continued)

In addition, assumptions were made about future participation (enrollment) into the MPP Program as 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 but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population of 152,062.

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-2019) table, issued by the Society of Actuaries.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (for example, Medicare premiums) and assumptions about the probability of occurrence of events far into the future (for example, mortality, disabilities, and retirees eligible for the program). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective and take into account the premiums and surcharges paid after termination of employment until the death of the employee. In many cases, actuarial calculations reflect several decades of payments after termination of employment.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, was 2.16%. 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 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Medicare Premium Payment (MPP) Program (Continued)

Discount Rate (Continued)

The following table presents the net OPEB liability of employers using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	Net OPEB Liability
1% Decrease (1.16%)	\$ 912,723
Current Discount Rate (2.16%)	828,037
1% Increase (3.16%)	755,680

Medicare Costs Trend Rate

The June 30, 2020, valuation uses the 2020 Medicare Part A and Part B premiums as the basis for future premium calculations. Future premiums are assumed to increase with a medical trend rate that varies by year. The Part A trend is approximately equivalent to assuming a fixed 4.50% increase each year. The Part B trend is approximately equivalent to assuming a fixed 5.40% increase each year.

The following table presents the net OPEB liability of employers using the current medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using medicare costs trend rates that are one percent lower and one percent higher than the current rate:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.5% Part A, 4.4% Part B)	\$ 753,002
Current Healthcare Trend Rate (4.5% Part A, 5.4% Part B)	828,037
1% increase (5.5% Part A, 6.4% Part B)	914,061

Amortization of Deferred Outflows and Deferred Inflows of Resources

As the MPP Program is a retiree only OPEB plan with no average remaining service life, other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in OPEB expense in the current period. The net deferred outflows and inflows relating to differences between projected and actual earnings on plan investments are not material and have not been recognized in these financial statements.

MPP Program Net OPEB Liability

Detailed information about the MPP Program net OPEB liability is available in a separate annual comprehensive financial report on the CalSTRS website. Copies of the CalSTRS annual comprehensive financial report may also be obtained from CalSTRS.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 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).

As of June 30, 2022, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the retirement plans are as follows:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS (STRP)	\$ 54,154,520	\$ 23,143,320	\$ 53,195,988	\$ 1,221,387
CalPERS (Schools Pool Plan)	29,606,933	5,982,911	12,223,822	3,032,780
Total	<u>\$ 83,761,453</u>	<u>\$ 29,126,231</u>	<u>\$ 65,419,810</u>	<u>\$ 4,254,167</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.

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. 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 to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Continued)

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

<u>Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
Hire Date	On or Before December 31, 2012	On or After 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	10.250%	10.205%
Required Employer Contribution Rate	16.920%	16.920%
Required State Contribution Rate	10.828%	10.828%

Contributions

Required member, District, and state of California contribution 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. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$11,397,512.

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

At June 30, 2022, 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:

	Balance
	<u>June 30, 2022</u>
District Proportionate Share of the Net Pension Liability	\$ 54,154,520
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>27,249,021</u>
Total	<u><u>\$ 81,403,541</u></u>

The net pension liability was measured as of June 30, 2021. 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, 2021, the District's proportion was 0.1190% which is an increase of 0.0020% from its proportion measured as of June 30, 2020.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 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)

For the year ended June 30, 2022, the District recognized pension expense of \$1,221,387. In addition, the District recognized revenue and corresponding expense of \$932,292 for contributions provided by the state. At June 30, 2022, 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	\$ 11,397,512	\$ -
Differences Between Expected and Actual Experience	135,660	5,763,170
Changes of Assumptions	7,673,120	-
Changes in Proportion	3,937,028	4,595,198
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	42,837,620
Total	<u>\$ 23,143,320</u>	<u>\$ 53,195,988</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, 2023. 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, 2021 measurement date is seven years.

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

Year Ending June 30,	Amortization
2023	\$ (10,070,230)
2024	(6,763,027)
2025	(10,905,366)
2026	(12,594,721)
2027	(794,675)
2028	(322,161)
Total	<u>\$ (41,450,180)</u>

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. 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, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
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-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants and adopted by the CalSTRS Board in January 2020. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42 %	4.80 %
Real Estate	15	3.60
Private Equity	13	6.30
Fixed Income	12	1.30
Risk Mitigating Strategies	10	1.80
Inflation Sensitive	6	3.30
Cash/Liquidity	2	(0.40)

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that 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 of 7.10% and assume that contributions, benefit payments, and administrative expense occur 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 the total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.10%)	\$ 110,239,220
Current Discount Rate (7.10%)	54,154,520
1% Increase (8.10%)	7,605,290

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate annual comprehensive financial report on the CalSTRS website. Copies of the CalSTRS annual comprehensive 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, 2022**

NOTE 14 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 non-duty disability benefits after 5 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 5 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, 2022, are summarized as follows:

Provisions and Benefits	Schools Pool Plan (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	22.91%	22.91%

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 determined 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, 2022, are as presented above and the total District contributions were \$4,930,918.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 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, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$29,606,933. The net pension liability was measured as of June 30, 2021. 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, 2021, the District's proportion was 0.1456% which is a decrease of 0.0011% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$3,032,780. At June 30, 2022, 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	\$ 4,930,918	\$ -
Differences Between Expected and Actual Experience	883,843	69,796
Changes of Assumptions	-	-
Changes in Proportion	168,150	791,766
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	11,362,260
Total	<u>\$ 5,982,911</u>	<u>\$ 12,223,822</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, 2023. 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 (EARS�) of the plan participants. The EARS� for the CalPERS Schools Pool Plan for the June 30, 2021 measurement date is four years.

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

Year Ending June 30,	Amortization
2023	\$ (2,406,175)
2024	(2,761,677)
2025	(2,843,911)
2026	(3,160,066)
Total	<u>\$ (11,171,829)</u>

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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, 2020 and rolling forward the total pension liability to June 30, 2021. 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, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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 post-retirement mortality rates, those rates include 15 years of projected ongoing mortality improvements using 90% of scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target 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
Real Assets	13	4.93
Private Equity	8	7.23
Liquidity	1	(0.92)

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees Retirement System (CalPERS) (Continued)

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 expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease (6.15%)	\$ 49,921,446
Current Discount Rate (7.15%)	29,606,933
1% Increase (8.15%)	12,741,528

Plan Fiduciary Net Position

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

NOTE 15 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, 2022, 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 INTERNAL SERVICE FUND (CONTINUED)

Workers' Compensation

For the fiscal year of 2021-22, 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 2021-22 fiscal year was \$250,000. Excess liability coverage for workers' compensation claims is provided by Schools Excess Liability Fund (SELF) public entity risk pool, through ASCIP.

Employee Medical Benefits

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

Claims Liabilities

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

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, 2022, amounted to \$2,272,133, using a discount factor of 2.5%.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 INTERNAL SERVICE FUND (CONTINUED)

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, 2020 to June 30, 2022:

	Workers' Compensation
Liability Balance - July 1, 2020	\$ 2,537,487
Claims and Changes in Estimates	84,135
Claims Payments	<u>(330,161)</u>
Liability Balance - June 30, 2021	2,291,461
Claims and Changes in Estimates	216,356
Claims Payments	<u>(235,684)</u>
Liability Balance - June 30, 2022	<u><u>\$ 2,272,133</u></u>
Assets Available to Pay Claims at June 30, 2022	<u><u>\$ 5,484,117</u></u>

NOTE 16 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 JOINT POWERS AGREEMENT (CONTINUED)

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, 2022, is as follows:

	ASCIP 6/30/2021 (Audited)	SELF 6/30/2022 (Audited)	CSEBA 6/30/2022 (Unaudited)
<u>JPA Condensed Financial Information</u>			
Total Assets and Deferred Outflows	\$ 530,515,094	\$ 289,927,212	\$ 83,358,546
Total Liabilities and Deferred Inflows	303,794,649	218,885,517	16,871,625
Net Position	<u>\$ 226,720,445</u>	<u>\$ 71,041,695</u>	<u>\$ 66,486,921</u>
Total Revenues	\$ 282,912,785	\$ 145,593,922	\$ 317,520,408
Total Expenses	280,558,053	114,721,049	310,941,376
Change in Net Position	<u>\$ 2,354,732</u>	<u>\$ 30,872,873</u>	<u>\$ 6,579,032</u>

NOTE 17 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 PROPERTY EXCHANGE AGREEMENTS (CONTINUED)

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 nonrefundable deposits that will be applied to the purchase price upon completion of the property exchange. During the fiscal year ended June 30, 2022, two of the three properties closed escrow and proceeds were deposited into an escrow account awaiting the identification of a suitable exchange property. As of June 30, 2022, one property remains in escrow and the total amount of deposits earned and recorded related to this property are \$475,000.

As of June 30, 2022, the balance in the escrow account is \$32,500,810. Funds are held in a money market account. Interest is paid annually at a rate of approximately 1.2%.

NOTE 18 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, 2022, the District was committed under various capital expenditure purchase agreements for construction and modernization projects as follows:

Capital Project	Remaining Construction Commitment	Expected Date of Completion	Funding Source
Elementary HVAC	\$ 19,531,754	August 30, 2025	ESSER II and III
Covina High School Pool	9,549,775	December 31, 2024	Measure CC
Districtwide Roofing Phase II	1,650,000	August 30, 2023	Capital Outlay Fund
Traweek Concrete Project	1,000,000	August 30, 2023	Capital Outlay Fund
South Hills Library	500,000	August 30, 2023	Capital Outlay Fund
Freezer Project	650,000	August 30, 2023	Child Nutrition KIT Grant
Total	<u>\$ 32,881,529</u>		

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 SUBSEQUENT EVENTS

Property Exchange

In October 2022, the one property remaining in escrow closed and all property transferred.

Retroactive Salary

In August and December 2022, the Board of Education approved a retroactive salary adjustment for all bargaining units in the estimated amount of \$6.2 million.

REQUIRED SUPPLEMENTARY INFORMATION

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts General Fund		Actual Amounts General Fund	(a) Fund Basis to GAAP	Actual Amounts GAAP Basis
	Original	Final			
REVENUES					
Local Control Funding Formula	\$ 125,823,071	\$ 127,940,851	\$ 127,973,889	\$ -	\$ 127,973,889
Federal Sources	16,432,008	10,389,237	14,087,687	-	14,087,687
Other State Sources	20,821,611	36,522,021	33,196,404	-	33,196,404
Other Local Sources	4,965,862	5,791,050	5,914,466	30,283	5,944,749
Total Revenues	168,042,552	180,643,159	181,172,446	30,283	181,202,729
EXPENDITURES					
Current:					
Certificated Salaries	66,194,179	66,806,054	67,250,396	-	67,250,396
Classified Salaries	23,338,952	22,307,816	22,372,416	-	22,372,416
Employee Benefits	42,834,952	42,431,318	42,926,206	-	42,926,206
Books and Supplies	4,652,779	9,034,487	8,567,125	-	8,567,125
Services and Operating					
Expenditures	16,536,568	18,427,762	17,981,789	-	17,981,789
Capital Outlay	7,238,061	1,056,781	1,107,457	-	1,107,457
Other Outgo	5,650,768	3,949,191	4,486,337	-	4,486,337
Total Expenditures	166,446,259	164,013,409	164,691,726	-	164,691,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,596,395	16,629,750	16,480,720	30,283	16,511,003
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	5,600,000	-
Transfers out	(5,870,462)	(6,950,000)	(7,175,868)	-	(1,575,868)
Net Financing Sources (Uses)	(5,870,462)	(6,950,000)	(7,175,868)	5,600,000	(1,575,868)
NET CHANGE IN FUND BALANCES	<u>\$ (4,274,067)</u>	<u>\$ 9,679,750</u>	9,304,852	5,630,283	14,935,135
Fund Balances - Beginning of Year			41,515,872	4,900,000	46,415,872
FUND BALANCES - END OF YEAR			<u>\$ 50,820,724</u>	<u>\$ 10,530,283</u>	<u>\$ 61,351,007</u>

(a) Amounts presented are the result of the District including activity of the Special Reserve Fund (See Note 1)

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, 2022**

	Budgeted Amounts		Actual
	Original	Final	(GAAP Basis)
REVENUES			
Federal Sources	\$ 17,655,442	\$ 23,923,801	\$ 20,532,894
Other State Sources	49,846,539	64,423,584	69,176,345
Total Revenues	<u>67,501,981</u>	<u>88,347,385</u>	<u>89,709,239</u>
EXPENDITURES			
Current:			
Other Outgo	<u>67,501,981</u>	<u>88,347,385</u>	<u>89,709,239</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	-
Fund Balance - Beginning of Year			<u>-</u>
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
YEAR ENDED JUNE 30,**

Total OPEB Liability - Retiree Health Plan	2022	2021	2020	2019	2018
Beginning Balance	\$ 13,823,677	\$ 13,237,638	\$ 10,581,951	\$ 10,217,585	\$ 10,365,090
Changes for the Year:					
Service Cost	449,086	391,242	336,428	402,196	422,957
Interest Cost	263,583	325,421	392,950	356,824	315,900
Differences Between Expected and Actual Experience	(228,862)	-	1,742,908	-	-
Changes in Assumptions	(1,733,215)	566,411	1,011,503	332,926	(337,233)
Expected Benefit Payments	(1,079,069)	(697,035)	(828,102)	(727,580)	(549,129)
Net Changes	<u>(2,328,477)</u>	<u>586,039</u>	<u>2,655,687</u>	<u>364,366</u>	<u>(147,505)</u>
Ending Balance	<u>\$ 11,495,200</u>	<u>\$ 13,823,677</u>	<u>\$ 13,237,638</u>	<u>\$ 10,581,951</u>	<u>\$ 10,217,585</u>
Covered-Employee Payroll	\$ 81,565,077	\$ 79,539,042	\$ 93,383,824	N/A	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	14%	17%	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.

See accompanying Notes to Required Supplementary Information.

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

Medicare Premium Payment Program	2022	2021	2020	2019	2018
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
District's Proportion of the Net OPEB Liability	0.2076%	0.1780%	0.1860%	0.2122%	0.2126%
District's Proportionate Share of the Net OPEB Liability	\$ 828,037	\$ 754,337	\$ 692,658	\$ 812,218	\$ 894,352
District's Covered Payroll *	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a Percentage of Covered Payroll *	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%

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.

See accompanying Notes to Required Supplementary Information.

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

CalSTRS - STRP	2022	2021	2020	2019
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
District's Proportion of the Net Pension Liability	0.1190%	0.1170%	0.1210%	0.1182%
District's Proportionate Share of the Net Pension Liability	\$ 54,154,520	\$ 113,383,530	\$ 109,282,360	\$ 108,653,817
State's Proportionate Share of the Net Pension Liability Associated with the District	27,249,021	58,448,750	59,621,305	62,209,392
Total	<u>\$ 81,403,541</u>	<u>\$ 171,832,280</u>	<u>\$ 168,903,665</u>	<u>\$ 170,863,209</u>
District's Covered Payroll	\$ 66,200,000	\$ 63,600,000	\$ 66,100,000	\$ 63,800,000
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	82%	178%	165%	170%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87%	72%	73%	71%
	2018	2017	2016	2015
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the Net Pension Liability	0.1174%	0.1135%	0.1341%	0.1182%
District's Proportionate Share of the Net Pension Liability	\$ 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	64,241,663	52,259,180	47,747,102	41,699,450
Total	<u>\$ 172,832,908</u>	<u>\$ 144,057,560</u>	<u>\$ 138,025,087</u>	<u>\$ 110,756,205</u>
District's Covered Payroll	\$ 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	177%	158%	153%	124%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69%	70%	74%	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.

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 THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (CONTINUED)
YEAR ENDED JUNE 30,**

CalPERS - Schools Pool Plan	2022	2021	2020	2019
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
District's Proportion of the Net Pension Liability	0.1456%	0.1467%	0.1509%	0.1481%
District's Proportionate Share of the Net Pension Liability	\$ 29,606,933	\$ 45,012,072	\$ 43,978,675	\$ 39,476,294
District's Covered Payroll	\$ 21,500,000	\$ 21,400,000	\$ 20,630,000	\$ 19,820,000
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	138%	210%	213%	199%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81%	70%	70%	71%
	2018	2017	2016	2015
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the Net Pension Liability	0.1458%	0.1491%	0.1534%	0.1556%
District's Proportionate Share of the Net Pension Liability	\$ 34,812,642	\$ 29,454,884	\$ 22,605,993	\$ 17,659,852
District's Covered Payroll	\$ 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	195%	166%	129%	108%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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
YEARS ENDED JUNE 30,**

CalSTRS - STRP	2022	2021	2020	2019
Contractually Required Contribution	\$ 11,397,512	\$ 10,699,371	\$ 10,875,727	\$ 10,759,954
Contributions in Relation to the Contractually Required Contribution	11,397,512	10,699,371	10,875,727	10,759,954
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 67,400,000	\$ 66,200,000	\$ 63,600,000	\$ 66,100,000
Contributions as a Percentage of Covered Payroll	16.92%	16.15%	17.10%	16.28%
	2018	2017	2016	2015
Contractually Required Contribution	\$ 9,209,588	\$ 7,700,700	\$ 6,234,213	\$ 5,248,838
Contributions in Relation to the Contractually Required Contribution	9,209,588	7,700,700	6,234,213	5,248,838
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 63,800,000	\$ 61,200,000	\$ 58,100,000	\$ 59,100,000
Contributions as a Percentage of Covered Payroll	14.43%	12.58%	10.73%	8.88%
CalPERS - Schools Pool Plan	2022	2021	2020	2019
Contractually Required Contribution	\$ 4,930,918	\$ 4,464,839	\$ 4,217,647	\$ 3,726,234
Contributions in Relation to the Contractually Required Contribution	4,930,918	4,464,839	4,217,647	3,726,234
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 21,500,000	\$ 21,500,000	\$ 21,400,000	\$ 20,630,000
Contributions as a Percentage of Covered Payroll	22.91%	20.70%	19.72%	18.06%
	2018	2017	2016	2015
Contractually Required Contribution	\$ 3,078,597	\$ 2,477,571	\$ 2,102,921	\$ 2,060,153
Contributions in Relation to the Contractually Required Contribution	3,078,597	2,477,571	2,102,921	2,060,153
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 19,820,000	\$ 17,840,000	\$ 17,750,000	\$ 17,500,000
Contributions as a Percentage of Covered Payroll	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, 2022**

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:

2021-22

The municipal bond rate at June 30, 2020, was 2.45% and 1.92% at June 30, 2022.

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 the District's Proportionate Share of the Net OPEB Liability – 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:

2021-22

CalSTRS applied a new discount rate decreasing the rate from 2.21% to 2.16%.

2020-21

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of the District's Proportionate Share of the Net OPEB Liability – Medicare Premium Payment Plan (Continued)

CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates. CalSTRS also applied a new discount rate decreasing the rate from 3.50% to 2.21%.

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%.

Schedules of 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:

2019-20

CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates.

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 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%.

Schedules 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.

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

<u>Object Account</u>	<u>Amount</u>
Certificated Salaries	\$ 444,342
Classified Salaries	64,600
Employee Benefits	494,888
Capital Outlay	50,676
Other Outgo	537,146

Excesses of expenditures over appropriations, by major object accounts, occurred in the Special Education Pass-Through Fund as follows:

<u>Object Account</u>	<u>Amount</u>
Other Outgo	\$ 1,361,854

SUPPLEMENTARY INFORMATION

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
HISTORY AND ORGANIZATION
JUNE 30, 2022**

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, 2022, were as follows:

DISTRICT BOARD OF EDUCATION

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rachael Robles	President	2022
Sue Maulucci	Vice-President	2024
Gary C. Rodriguez	Clerk	2022
Maria M. Caceres	Member	2024
Maria E. Cruz	Member	2024

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Elizabeth Eminhizer, Ed.D.	Superintendent of Schools
Michele Doll, Ed.D.	Assistant Superintendent, Personnel Services
Jonathan Blackmore, Ed.D.	Assistant Superintendent, Educational Services
Manuel Correa, CPA	Business Services/Chief Business Officer

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
YEAR ENDED JUNE 30, 2022**

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, 2022, are as follows:

	FF6C27F6 Revised Second Period Report	14FD05CD Revised Annual Report
Grades Transitional Kindergarten through Third:		
Regular ADA	2,855.37	2,869.68
Extended Year Special Education	2.85	2.85
Special Education - Nonpublic, Nonsectarian Schools	1.69	1.94
Extended Year Special Education - Nonpublic, Nonsectarian Schools	0.04	0.04
Total Grades Transitional Kindergarten through Third ADA	<u>2,859.95</u>	<u>2,874.51</u>
Grades Four through Six:		
Regular ADA	2,064.03	2,063.29
Extended Year Special Education	2.95	2.95
Special Education - Nonpublic, Nonsectarian Schools	4.99	5.23
Extended Year Special Education - Nonpublic, Nonsectarian Schools	0.26	0.26
Total Grades Four through Six ADA	<u>2,072.23</u>	<u>2,071.73</u>
Grades Seven and Eight:		
Regular ADA	1,472.20	1,473.05
Extended Year Special Education	3.65	3.65
Special Education - Nonpublic, Nonsectarian Schools	1.30	1.29
Extended Year Special Education - Nonpublic, Nonsectarian Schools	0.11	0.11
Total Grades Seven and Eight ADA	<u>1,477.26</u>	<u>1,478.10</u>
Grades Nine through Twelve:		
Regular ADA	3,916.63	3,913.70
Extended Year Special Education	9.23	9.23
Special Education - Nonpublic, Nonsectarian Schools	14.98	15.33
Extended Year Special Education - Nonpublic, Nonsectarian Schools	1.52	1.52
Community Day School	-	-
Total Grades Nine through Twelve ADA	<u>3,942.36</u>	<u>3,939.78</u>
Total ADA	<u><u>10,351.80</u></u>	<u><u>10,364.12</u></u>

See accompanying Note to Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2022**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Actual Minutes</u>	<u>Days Offered Traditional</u>	<u>Status</u>
Kindergarten	36,000	41,670	180	In Compliance
Grade 1	50,400	53,400	180	In Compliance
Grade 2	50,400	53,400	180	In Compliance
Grade 3	50,400	53,400	180	In Compliance
Grade 4	54,000	54,780	180	In Compliance
Grade 5	54,000	54,780	180	In Compliance
Grade 6	54,000	60,181	180	In Compliance
Grade 7	54,000	60,181	180	In Compliance
Grade 8	54,000	60,181	180	In Compliance
Grade 9	64,800	67,218	180	In Compliance
Grade 10	64,800	67,218	180	In Compliance
Grade 11	64,800	67,218	180	In Compliance
Grade 12	64,800	67,218	180	In Compliance

See accompanying Note to Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Amount Passed Through to Subrecipients
DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster:				
Federal Pell Grant Program (PELL)	84.063	(1)	\$ 211,669	\$ -
Subtotal Student Financial Assistance Cluster			211,669	-
Pass-Through Program From California Department of Education:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,089,372	-
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	70,359	-
Title I, Part G, Advanced Placement (AP) Test Fee				
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	247,254	-
Title III, English Learner Student Program	84.365	14346	78,716	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	67,419	-
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	98,174	-
Adult Basic Education & ELA (Section 231)	84.002A	14508	86,607	-
Adult Secondary Education (Section 231)	84.002A	13978	131,546	-
Adult Education: English Literacy and Civics Education	84.002A	14109	13,916	-
Special Education (IDEA) Cluster:				
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	20,348,256	17,521,243
ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	1,958,751	1,425,506
ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	142,824	110,496
IDEA Preschool Grants, Part B, Section 619	84.173	13430	456,424	382,449
IDEA Preschool Staff Development, Part B, Section 619	84.173A	13682	1,997	1,856
IDEA Mental Health Average Daily Attendance Allocation, Part B, Sec 611	84.027A	15197	1,019,936	973,226
IDEA Local Assistance Private Schools	84.027A	13431	100,849	4,387
IDEA Preschool Capacity Building, Part B, Sec 619	84.173A	13839	1,051	-
IDEA Alternative Dispute Resolution, Part Bm Section 611	84.173A	13007	63,911	-
Subtotal Special Education (IDEA) Cluster			24,093,999	20,419,163
Education Stabilization Fund (ESF)				
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER I)	84.425D	15536	171	-
COVID-19 - Governor's Emergency Education Relief (GEER)	84.425C	15517	98,519	-
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II)	84.425D	15547	1,904,916	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	1,252,650	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	287,494	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425	15620	809,092	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve	84.425	15621	529,681	-
Subtotal Education Stabilization Fund			4,882,523	-
IDEA Early Intervention Grants, Part C	84.181	23761	284,328	113,731
Total Department of Education			32,355,882	20,532,894

(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, 2022

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
DEPARTMENT OF AGRICULTURE				
Pass-Through Program From California Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	13523	\$ 6,041,765	\$ -
COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555		486,496	-
Child Nutrition - Commodities	10.555	(1)	<u>478,615</u>	<u>-</u>
Subtotal Child Nutrition Cluster			7,006,876	-
Child and Adult Care Food Program	10.558	13393	341,887	-
COVID-19 CACFP Emergency Operational Costs Reimbursement (ECR)	10.558		<u>26,191</u>	<u>-</u>
Subtotal Child and Adult Care Food Program			368,078	-
Pandemic EBT Local Administrative Grant	10.649	15644	1,052	-
NSLP Equipment Assistance Grants	10.579		<u>22,317</u>	<u>-</u>
Total Department of Agriculture			7,398,323	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Pass-Through Program From California Department of Education:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	<u>297,351</u>	<u>-</u>
Subtotal Medicaid Cluster			297,351	-
Child Care and Development Fund (CCDF) Cluster:				
Child Development: Federal General and State Preschool: CCDF Discretionary	93.596	13609	216,592	-
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act	93.575	15555	39,435	-
Child Development: ARP California State Preschool Program One-time Stipend	93.575	15640	<u>61,600</u>	<u>-</u>
Subtotal CCDF Cluster			317,627	-
Pass-Through Program From the Los Angeles County of Education:				
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	25516	<u>1,887,739</u>	<u>-</u>
Total Department of Health and Human Services			2,502,717	-
Total Federal Expenditures			<u><u>\$ 42,256,922</u></u>	<u><u>\$ 20,532,894</u></u>
Reconciliation to Federal Revenue				
Total Federal Program Expenditures			\$ 42,256,922	
Revenues in excess of expenditures related to Federal Entitlements:				
Medi-Cal Billing Option	93.778	10013	136,086	
Medi-Cal Administrative Activities	93.778	10060	386,209	
Expenses in excess of revenues related to Federal Entitlements:				
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act	93.434	(1)	<u>(39,435)</u>	
Total Federal Program Revenue			<u><u>\$ 42,739,782</u></u>	

(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, 2022**

	2022 (Budgeted)	2022	2021	2020
Revenues	\$ 179,869,664	\$ 181,172,446	\$ 174,124,600	\$ 154,158,513
Other Sources and Transfers In	-	-	300,000	3,745,317
Total Revenue and Other Sources	179,869,664	181,172,446	174,424,600	157,903,830
Expenditures	178,172,450	164,691,726	156,009,307	156,956,359
Other Uses and Transfers Out	2,350,000	7,175,868	5,882,189	927,743
Total Expenditures and Other Uses	180,522,450	171,867,594	161,891,496	157,884,102
Change in Fund Balance	(652,786)	9,304,852	12,533,104	19,728
Ending Fund Balance	\$ 50,167,938	\$ 50,820,724	\$ 41,515,872	\$ 28,982,768
Available Reserve	\$ 11,754,259	\$ 17,089,990	\$ 31,101,061	\$ 22,043,268
Available Reserve %	6.5%	9.9%	19.2%	14.0%
ADA	10,458.47	10,351.80	11,185.08	11,186.86
Total Long-Term Debt	\$ 298,304,818	\$ 308,276,501	\$ 391,133,336	\$ 397,040,387

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 2023 budget is the original budget adopted on June 13, 2022.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2022**

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, 2022**

There were no differences between the fund balances reported on the June 30, 2022, Annual and Financial Budget Report for governmental funds and the audited financial statements.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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.

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 government for the year ended June 30, 2022. 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 or changes in financial position 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. Under these principles, 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.

Indirect Cost Rate

The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Noncash Assistance

The District is the recipient of noncash commodities totaling \$478,615 through the National School Lunch Program (Assistance Listing Number 10.555).

COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Financial Trends and Analysis

The 2021-22 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 2021-22 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, 2022**

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash in County Treasury	\$ -	\$ 4,587,271	\$ 578,330	\$ 6,572,790	\$ 12,423,950	\$ 2,066,588	\$ 9,551,111	\$ 35,780,040
Cash on Hand and in Banks	648,485	208,142	-	6,963	-	-	-	863,590
Cash Coll. Awaiting Deposit	-	100	504,440	-	-	190,536	-	695,076
Accounts Receivable	-	100,766	139,230	1,021,267	32,993	5,365	-	1,299,621
Inventories	92,540	13,188	-	84,248	-	-	-	189,976
Prepaid Expenditures	-	-	-	-	20,000	-	-	20,000
Total Assets	<u>\$ 741,025</u>	<u>\$ 4,909,467</u>	<u>\$ 1,222,000</u>	<u>\$ 7,685,268</u>	<u>\$ 12,476,943</u>	<u>\$ 2,262,489</u>	<u>\$ 9,551,111</u>	<u>\$ 38,848,303</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	\$ -	\$ 306,981	\$ 288,779	\$ 151,318	\$ 1,146,798	\$ 580	\$ -	\$ 1,894,456
FUND BALANCES								
Nonspendable	92,540	13,188	-	84,248	20,000	-	-	209,976
Restricted	648,485	4,589,298	933,221	7,449,702	11,310,145	2,261,909	9,551,111	36,743,871
Total Fund Balances	<u>741,025</u>	<u>4,602,486</u>	<u>933,221</u>	<u>7,533,950</u>	<u>11,330,145</u>	<u>2,261,909</u>	<u>9,551,111</u>	<u>36,953,847</u>
Total Liabilities and Fund Balances	<u>\$ 741,025</u>	<u>\$ 4,909,467</u>	<u>\$ 1,222,000</u>	<u>\$ 7,685,268</u>	<u>\$ 12,476,943</u>	<u>\$ 2,262,489</u>	<u>\$ 9,551,111</u>	<u>\$ 38,848,303</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, 2022**

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
REVENUES								
Federal Sources	\$ -	\$ 443,738	\$ 278,192	\$ 7,397,271	\$ -	\$ -	\$ -	\$ 8,119,201
Other State Sources	-	3,792,761	2,137,885	394,815	-	-	86,209	6,411,670
Other Local Sources	2,010,250	1,003,241	1,326,369	71,142	75,019	937,756	14,238,350	19,662,127
Total Revenues	2,010,250	5,239,740	3,742,446	7,863,228	75,019	937,756	14,324,559	34,192,998
EXPENDITURES								
Current:								
Instruction	-	2,152,851	1,963,830	-	-	-	-	4,116,681
Instruction Related Activities	-	1,584,277	250,096	-	-	-	-	1,834,373
Pupil Services	-	252,077	826,362	6,466,992	-	-	-	7,545,431
Ancillary Services	1,711,270	-	400	-	-	-	-	1,711,670
General Administration	-	159,694	83,936	153,013	-	27,804	505,831	930,278
Plant Services	-	363,410	225,963	72,170	1,359,620	276,447	-	2,297,610
Debt Service	-	-	-	-	-	-	13,567,580	13,567,580
Total Expenditures	1,711,270	4,512,309	3,350,587	6,692,175	1,359,620	304,251	14,073,411	32,003,623
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	298,980	727,431	391,859	1,171,053	(1,284,601)	633,505	251,148	2,189,375
OTHER FINANCING SOURCES (USES)								
Proceeds from Sale of Refunding Bonds	-	-	-	-	-	-	47,850,000	47,850,000
Deposit to Refunding Bond Escrow	-	-	-	-	-	-	(47,344,169)	(47,344,169)
Net Financing Sources (Uses)	-	-	-	-	-	-	505,831	505,831
NET CHANGE IN FUND BALANCES	298,980	727,431	391,859	1,171,053	(1,284,601)	633,505	756,979	2,695,206
Fund Balance - Beginning of Year	442,045	3,875,055	541,362	6,362,897	12,614,746	1,628,404	8,794,132	34,258,641
FUND BALANCE - END OF YEAR	<u>\$ 741,025</u>	<u>\$ 4,602,486</u>	<u>\$ 933,221</u>	<u>\$ 7,533,950</u>	<u>\$ 11,330,145</u>	<u>\$ 2,261,909</u>	<u>\$ 9,551,111</u>	<u>\$ 36,953,847</u>

See accompanying Note to Optional Supplementary Information.

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
NOTE TO OPTIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2023.

Report on 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 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.

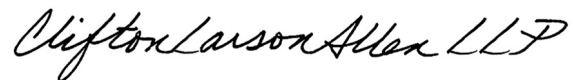
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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*.

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 entity'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 entity'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
February 24, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Covina-Valley Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
February 24, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

Opinion on State Compliance

We have audited Covina-Valley Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *2021-22 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, 2022. The District's state compliance requirements are identified in the table provided below.

In our opinion, the District complied, in all material respects, with the compliance requirements of the state programs referred to in the table provided below for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the state compliance requirements as identified in the table below. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for State Compliance

Management is responsible for compliance with the requirements of the state compliance requirements as identified in the table below and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to in the table provided below occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to in the table provided below is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to in the table provided below and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any non-compliance identified during the audit of the compliance areas identified in the table below.

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	No ¹
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
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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunity Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
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

¹ADA was under the level which requires testing

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

Report on 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 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 a material noncompliance with a compliance requirement 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 that is less than severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of State Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion

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 *2021-22 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.



CliftonLarsonAllen LLP

Glendora, California
February 24, 2023

FINDINGS AND QUESTIONED COSTS

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

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? _____ yes x 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

Assistance Listing Number(s)

84.027, 84.027A, 84.173, 84.173A
10.555
84.425C, 84.425D
93.323

Name of Federal Program or Cluster

Special Education (IDEA) Cluster
Child Nutrition Cluster
COVID-19 Education Stabilization Fund (ESF)
Epidemiology and Laboratory Capacity for
Infectious Diseases (ELC)

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

\$ 1,267,708

Auditee qualified as low-risk auditee?

_____ yes x no

**COVINA-VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

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

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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 *2021-22 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, 2022**

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the financial statements for the year ended June 30, 2021.

FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2021.

STATE AWARDS

There were no findings and questioned costs related to state awards for the year ended June 30, 2021.

