Financial Statements
June 30, 2020

Palo Verde Unified School District

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Palo Verde Unified School District
Blythe, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Verde Unified School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 72, schedule of the District's proportionate share of the net pension liability on page 73, and schedule of the District contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2020 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
November 18, 2020

PALO VERDE
Unified School District

"Improving Learning…Together"

295 North First Street, Blythe California 92225
Telephone (760) 922-4164
Fax (760) 922-5942

This section of Palo Verde Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

INTRODUCTION

Palo Verde Unified School District's goal is to provide an atmosphere of care and concern, an opportunity for every student to recognize and fully develop his/her particular academic, technical, vocational, physical, and social skills. Palo Verde Unified School District's students graduate prepared to succeed in tomorrow's world.

The management's discussion and analysis section of Palo Verde Unified School District's financial statements provide an overall review of the District's financial activities for the fiscal year ended June 30, 2020. This analysis will look at the District's financial performance as a whole. The management's discussion and analysis should be reviewed in conjunction with the audited financial statements and notes to the financial statements to enhance the understanding of the District's financial performance.

The Palo Verde Unified School District is a small urban district offering instruction to students from kindergarten through twelfth grade. During the 2019-2020 school year, the District operates three elementary schools, one high school, and one continuation high school. The District operates on the traditional August through early June schedule, for the instruction of approximately 3,860 students.

USING THE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Palo Verde Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The management's discussion and analysis statement is provided to assist our citizens, taxpayers, and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District ended 2019-2020 with $11,577,315 in net position.
- Net position decreased by $175,537 during the year.
- Palo Verde High School is undergoing an animal barn building site improvement.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in them. Net position is the difference between assets and deferred outflows of resource, 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 Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $9,829,805 for the fiscal year ended June 30, 2020. Of this amount, $(27,392,528) was the unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	$ 23,257,737	$ 24,821,190
Capital assets	49,917,176	46,012,606
Total assets	73,174,913	70,833,796
Deferred outflows of resources	13,078,429	11,733,328
Liabilities		
Current liabilities	4,058,294	2,461,571
Long-term liabilities	69,313,971	65,073,534
Total liabilities	73,372,265	67,535,105
Deferred inflows of resources	3,051,272	3,279,167
Net Position		
Net investment in capital assets	31,936,393	22,867,689
Restricted	5,285,943	13,899,501
Unrestricted	(27,392,531)	(25,014,338)
Total net position	$ 9,829,805	$ 11,752,852

The $(27,392,528) in the unrestricted net deficit of governmental activities represents the *accumulated* results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities 2020	Governmental Activities 2019
Revenues		
Program revenues		
Charges for services	$ 79,824	$ 128,263
Operating grants and contributions	9,116,762	6,786,369
Capital grants and contributions	687	597
General revenues		
Federal and State aid not restricted	24,713,935	24,409,188
Property taxes	9,332,524	8,268,892
Other general revenues	967,288	2,594,784
Total revenues	44,211,020	42,188,093
Expenses		
Instruction-related	29,808,070	28,606,451
Pupil services	6,665,696	6,374,380
Administration	2,677,672	2,835,659
Plant services	4,518,955	5,104,352
Other	2,463,674	1,566,678
Total expenses	46,134,067	44,487,520
Change in net position	$ (1,923,047)	$ (2,299,427)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $46,134,067. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $9,332,524, because the cost was paid by those who benefited from the programs ($79,824) or by other governments and organizations who subsidized certain programs with grants and contributions of $9,117,449. We paid for the remaining "public benefit" portion of our governmental activities with $24,713,935 in State and Federal funds and with $967,288 other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: instruction including, instruction-related activities, other 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 that are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 29,808,070	$ 26,459,424	$ (23,878,253)	$ (20,801,507)
Pupil services	6,665,696	5,860,475	(4,035,873)	(3,200,744)
Administration	2,677,672	3,008,420	(2,222,437)	(2,119,107)
Plant services	4,518,955	4,108,563	(4,436,682)	(4,057,723)
All other services	2,463,674	1,019,200	(2,363,549)	(845,610)
Total	$ 46,134,067	$ 40,456,082	$ (36,936,794)	$ (31,024,691)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $19,385,307, which is a decrease of $3,209,470 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	$ 9,399,583	$ 39,575,772	$ 38,999,684	$ 9,975,671
Building	9,682,545	2,389,619	5,610,727	6,461,437
Bond Interest and Redemption	2,149,425	8,920,641	1,584,263	9,485,803
Non-Major Governmental Funds	1,363,224	2,928,516	3,148,597	1,143,143
Total	$ 22,594,777	$ 53,814,548	$ 49,343,271	$ 27,066,054

General Fund Budgetary Highlights

The District budget is prepared in accordance with California law and is based on the cash basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30. After updating of the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented. The departments provide input to the Business Office for their budget needs. The site and department budgets are reviewed monthly to ensure management becomes aware of any significant variations during the year.

- The General Fund reported a positive fund balance of $9,975,671.
- Overall revenues were $39,575,772, and expenditures were $38,999,684 in the General Fund.
- The District is required to maintain a three percent reserve in the General Fund. The District has met this requirement.

In June of each year, a budget is adopted by the Palo Verde Unified School District's Board of Trustees, effective July 1 through June 30. The budget is based on year ending projections from the previous year's budget. As the school year progresses, the budget is revised and updated, with numerous financial reports made public outlining the revisions. In August of the following year, the books are closed for the July 1 - June 30 fiscal year, and the results are audited, yielding actual final numbers. The final amendment to the budget was adopted on June 9, 2020.

There are several reasons for budget revisions. Most notable are any salary increases approved by the Board of Trustees for District employees. The original budget does not account for salary increases. Also, any changes in the number of staff or staff utilization of health and welfare benefits that vary from the original projections would also yield budget revisions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $49,917,176 in a broad range of capital assets (net of depreciation), including land, buildings, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $3,904,570. (Table 5) We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Table 5

	Governmental Activities 2020	Governmental Activities 2019
Land and construction in progress	$ 5,790,711	$ 479,033
Buildings and improvements	42,990,989	44,305,008
Equipment	1,135,476	1,228,565
Total	$ 49,917,176	$ 46,012,606

This year's major additions included:

Construction in progress of the Palo Verde High School Barn	$5,311,678

Long-Term Liabilities

At the end of this year, the District had $69,313,971 in long-term liabilities outstanding versus $65,073,534 last year. Those long-term liabilities consisted of the following:

Table 6

	Governmental Activities 2020	Governmental Activities 2019
Long-Term Liabilities		
General obligation bonds	$ 24,606,591	$ 15,988,405
Certificates of participation	-	6,190,000
Unamortized premiums/(discounts)	1,230,439	1,126,008
Capital leases	427,717	1,953,554
Compensated absences	324,784	283,500
Net OPEB liability	5,303,024	4,568,270
Aggregate net pension liability	37,421,416	34,963,797
Total	$ 69,313,971	$ 65,073,534

At year end, the District has a net pension liability of $37,421,416 versus $34,963,797 last year, an increase of $2,457,619, or 7%.

We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

1. Property tax revenues will increase slightly due to the estimated assessed valuation and general growth.
2. During the fiscal year 2020-21, a statutory Cost of Living Adjustment (COLA) is projected to increase by 2.48%, with an augmentation factor of -2.48%, bringing the effective COLA to 0%.
3. Federal income for established programs are projected to be stable with expiring carryover funds expended. Declining enrollment and attendance continue to apply pressures to Federal income projections. Due to COVID-19, the District expects to receive a significant one-time increase in federal funds to assist the District with the COVID-19 response.
4. State income projections will likely remain stable for the coming year with State Aid deferrals being a source of concern in 2020-21. Income projections are not growing at the recommended rate and COVID-19 raises additional uncertainty with the State budget. Spending deficits and declining enrollment/attendance also continue to dampen growth projections for State income.

Student enrollment and demographic trends

1. The Palo Verde Unified School District has an enrollment of approximately 2,863 students for the 2019-2020 school year, with enrollment projected to decrease to 2,820 for the 2020-2021 school year.
2. In addition to tracking enrollment, the District also monitors actual Average Daily Attendance (ADA). The ADA is typically lower than a district's enrollment, although the two terms are often used interchangeably. The 2019-2020 ADA for the District is approximately 2,734.20 which includes County attendance. The District is making every effort to improve attendance for the coming year.
3. School districts have traditionally placed great importance on the accurate projection of student enrollment for the ensuing budget year, due to the broad range of funding and programs impacted by this number. The basic funding model for California school districts factor the number of days attended by the enrolled students by Grade Span to achieve the Local Control Funding Formula.

FOR THE FUTURE

The District's system of budgeting and internal controls is well regarded, and it will take all of the District's financial abilities to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Meliton Sanchez, Assistant Superintendent of Business Services, 295 N First Street, Blythe, California 92225, or e-mail at: meliton.sanchez@pvusd.us.

	Governmental Activities
Assets	
Deposits and investments	$ 17,621,750
Receivables	5,480,213
Stores inventories	155,774
Capital assets not depreciated	5,790,711
Capital assets, net of accumulated depreciation	44,126,465
Total assets	73,174,913
Deferred Outflows of Resources	
Deferred charge on refunding	938,188
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	1,129,385
Deferred outflows of resources related to pensions	11,010,856
Total deferred outflows of resources	13,078,429
Liabilities	
Accounts payable	3,780,316
Interest payable	185,864
Unearned revenue	92,114
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,410,956
Long-term liabilities other than OPEB and pensions due in more than one year	25,178,575
Net other postemployment benefits liability	5,303,024
Aggregage net pension liability	37,421,416
Total liabilities	73,372,265
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	85,202
Deferred inflows of resources related to pensions	2,966,070
Total deferred inflows of resources	3,051,272
Net Position	
Net investment in capital assets	31,936,393
Restricted for	
Debt service	2,778,831
Capital projects	205,843
Educational programs	1,635,204
Food Services	666,065
Unrestricted	(27,392,531)
Total net position	$ 9,829,805

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 25,603,286	$ 238	$ 5,088,317	$ 687	$ (20,514,044)
Instruction-related activities					
Supervision of instruction	1,227,036	3	575,823	-	(651,210)
Instructional library, media, and technology	516,395	-	79,208	-	(437,187)
School site administration	2,461,353	3	185,538	-	(2,275,812)
Pupil services					
Home-to-school transportation	2,055,329	-	37,312	-	(2,018,017)
Food services	1,767,987	74,293	1,589,054	-	(104,640)
All other pupil services	2,842,380	-	929,164	-	(1,913,216)
Administration					
Data processing	336,202	-	45,204	-	(290,998)
All other administration	2,341,470	2,352	407,679	-	(1,931,439)
Plant services	4,518,955	49	82,224	-	(4,436,682)
Ancillary services	466,828	22	13,703	-	(453,103)
Enterprise services	191,290	-	-	-	(191,290)
Interest on long-term liabilities	1,698,743	-	-	-	(1,698,743)
Other outgo	106,813	2,864	83,536	-	(20,413)
Total governmental activities	$ 46,134,067	$ 79,824	$ 9,116,762	$ 687	(36,936,794)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
General Revenues and Subventions					
Property taxes, levied for general purposes					$ 7,033,616
Property taxes, levied for debt service					1,870,009
Taxes levied for other specific purposes					428,899
Federal and State aid not restricted to specific purposes					24,713,935
Interest and investment earnings					147,548
Miscellaneous					819,740
Subtotal, general revenues					35,013,747
Change in Net Position					(1,923,047)
Net Position - Beginning					11,752,852
Net Position - Ending					$ 9,829,805

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 8,148,539	$ 5,517,341	$ 2,964,655	$ 991,215	$ 17,621,750
Receivables	5,316,423	13,993	-	149,797	5,480,213
Due from other funds	12,370	-	-	-	12,370
Stores inventories	134,613	-	-	21,161	155,774
Total assets	$ 13,611,945	$ 5,531,334	$ 2,964,655	$ 1,162,173	$ 23,270,107
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 3,544,160	$ 229,496	$ -	$ 6,660	$ 3,780,316
Due to other funds	-	-	-	12,370	12,370
Unearned revenue	92,114	-	-	-	92,114
Total liabilities	3,636,274	229,496	-	19,030	3,884,800
Fund Balances					
Nonspendable	150,613	-	-	21,162	171,775
Restricted	1,635,204	5,301,838	2,964,655	871,948	10,773,645
Assigned	-	-	-	250,033	250,033
Unassigned	8,189,854	-	-	-	8,189,854
Total fund balances	9,975,671	5,301,838	2,964,655	1,143,143	19,385,307
Total liabilities and fund balances	$ 13,611,945	$ 5,531,334	$ 2,964,655	$ 1,162,173	$ 23,270,107

Total Fund Balance - Governmental Funds		$ 19,385,307
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 80,153,536	
Accumulated depreciation is	(30,236,360)	
Net capital assets		49,917,176
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(185,864)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	938,188	
Other postemployment benefits	1,129,385	
Net pension liability	11,010,856	
Total deferred outflows of resources		13,078,429
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits	(85,202)	
Net pension liability	(2,966,070)	
Total deferred inflows of resources		(3,051,272)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(37,421,416)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(5,303,024)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	$ (22,562,653)	
Unamortized debt premiums	(1,230,439)	
Capital leases payable	(427,717)	
Compensated absences (vacations)	(324,784)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(2,043,938)	
Total long-term liabilities		$ (26,589,531)
Total net position - governmental activities		$ 9,829,805

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	$ 30,947,492	$ -	$ -	$ -	$ 30,947,492
Federal sources	3,467,357	-	-	1,577,046	5,044,403
Other State sources	3,151,930	-	11,266	116,177	3,279,373
Other local sources	2,008,993	145,419	1,896,756	535,284	4,586,452
Total revenues	39,575,772	145,419	1,908,022	2,228,507	43,857,720
Expenditures					
Current					
Instruction	23,228,241	-	-	-	23,228,241
Instruction-related activities					
Supervision of instruction	1,104,916	-	-	-	1,104,916
Instructional library, media, and technology	377,435	-	-	-	377,435
School site administration	2,287,131	-	-	-	2,287,131
Pupil services					
Home-to-school transportation	1,703,377	-	-	-	1,703,377
Food services	38,741	-	-	1,630,840	1,669,581
All other pupil services	2,748,122	-	-	-	2,748,122
Administration					
Data processing	302,973	-	-	-	302,973
All other administration	2,065,578	-	-	45,197	2,110,775
Plant services	4,000,378	-	-	-	4,000,378
Ancillary services	449,119	-	-	-	449,119
Other outgo	106,813	-	-	-	106,813
Enterprise services	139,060	-	-	-	139,060
Facility acquisition and construction	21,555	5,610,727	-	-	5,632,282
Debt service					
Principal	394,520	-	550,000	480,000	1,424,520
Interest and other	31,725	-	1,034,263	292,551	1,358,539
Total expenditures	38,999,684	5,610,727	1,584,263	2,448,588	48,643,262
Excess (Deficiency) of Revenues Over Expenditures	576,088	(5,465,308)	323,759	(220,081)	(4,785,542)
Other Financing Sources (Uses)					
Transfers in	-	-	-	700,009	700,009
Other sources - proceeds from bond issuance	-	2,244,200	7,012,619	-	9,256,819
Transfers out	-	-	-	(700,009)	(700,009)
Other uses - payment to refunded capital lease escrow agent	-	(1,159,599)	-	-	(1,159,599)
Other uses - payment to refunded COP escrow agent	-	-	(6,521,148)	-	(6,521,148)
Net Financing Sources (Uses)	-	1,084,601	491,471	-	1,576,072
Net Change in Fund Balances	576,088	(4,380,707)	815,230	(220,081)	(3,209,470)
Fund Balance - Beginning	9,399,583	9,682,545	2,149,425	1,363,224	22,594,777
Fund Balance - Ending	$ 9,975,671	$ 5,301,838	$ 2,964,655	$ 1,143,143	$ 19,385,307

Total Net Change in Fund Balances - Governmental Funds		$ (3,209,470)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 5,384,603	
Depreciation expense	(1,480,033)	
Net expense adjustment		3,904,570
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(168,186)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(41,284)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(2,184,377)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(135,888)

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	$ (9,000,000)
Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	938,188
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(256,819)
Deferred amount on refunding recognized	(217,525)
Premium amortization	152,388
Deferred amount on refunding amortization	(19,775)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	550,000
Certificates of participation	6,190,000
Capital leases	1,525,837
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	49,294
Change in net position of governmental activities	$ (1,923,047)

		Agency Funds
Assets		
Deposits and investments	$	84,013
Liabilities		
Due to student groups	$	84,013

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Palo Verde Unified School District (the District) was organized on July 1, 1936, 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 three elementary schools, one high school, and one continuation high school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Palo Verde Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.

- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on certificates of participation.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

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

Basis of Accounting - Measurement Focus

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

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

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

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

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements, because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial Statement of Net Position. The valuation basis for capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as liabilities of the governmental funds.

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, or statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and OPEB related items. The deferred amounts related to pension and OPEB relate to difference between contributions and the District’s proportionate share of contributions, differences between expected and actual experiences, and differences between expected and actual earnings on investments.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $5,285,943 of net position restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

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

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

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

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

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

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 17,621,750
Fiduciary funds	84,013
Total deposits and investments	$ 17,705,763

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 84,013
Cash in revolving	16,000
Investments	17,605,750
Total deposits and investments	$ 17,705,763

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days/ Maturity Date
Money Market Mutual Funds	$ 40	7/1/2020
Riverside County Investment Pool	17,605,710	409
Total	$ 17,605,750	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

Investment Type	Reported Amount	Minimum Legal Rating	Rating as of Year End	
			Aaa-bf	Aaa-mf
Money Market Mutual Funds	$ 40	N/A	$ -	$ 40
Riverside County Investment Pool	17,605,710	N/A	17,605,710	-
Total	$ 17,605,750		$ 17,605,710	$ 40

N/A - Not applicable

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. As of June 30, 2020, none of the District's bank balance was exposed to custodial credit risk.

Note 3 - Fair Value Measurements

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

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

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

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

Uncategorized - Investments in the Riverside County Investment Pool is not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share. The Riverside County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Uncategorized
Riverside County Investment Pool	$ 17,605,710	$ 17,605,710

Note 4 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	$ 955,070	$ -	$ 135,546	$ 1,090,616
State Government				
LCFF apportionment	3,600,526	-	-	3,600,526
Categorical aid	167,206	-	11,628	178,834
Lottery	143,327	-	-	143,327
Local Government				
Interest	23,406	13,993	2,034	39,433
Other local sources	426,888	-	589	427,477
Total	$ 5,316,423	$ 13,993	$ 149,797	$ 5,480,213

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 479,033	$ -	$ -	$ 479,033
Construction in progress	-	5,311,678	-	5,311,678
Total capital assets not being depreciated	479,033	5,311,678	-	5,790,711
Capital assets being depreciated				
Buildings and improvements	67,906,960	27,262	-	67,934,222
Furniture and equipment	6,382,940	45,663	-	6,428,603
Total capital assets being depreciated	74,289,900	72,925	-	74,362,825
Total capital assets	74,768,933	5,384,603	-	80,153,536
Accumulated depreciation				
Buildings and improvements	(23,601,952)	(1,341,281)	-	(24,943,233)
Furniture and equipment	(5,154,375)	(138,752)	-	(5,293,127)
Total accumulated depreciation	(28,756,327)	(1,480,033)	-	(30,236,360)
Governmental activities capital assets, net	$ 46,012,606	$ 3,904,570	$ -	$ 49,917,176

Depreciation expense was charged to governmental functions as follows:

Governmental Activities		
Instruction	$	761,598
Supervision of instruction		50,929
Instructional library, media, and technology		31,768
School site administration		121,153
Home-to-school transportation		85,447
Food services		59,446
All other pupil services		94,110
Data processing		7,966
All other administration		100,462
Plant services		167,154
Total depreciation expenses governmental activities	$	1,480,033

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds are as follows:

The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	$	12,370

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2020, consisted of the following:

The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the COP Debt Service Non-Major Governmental Fund for current debt service payments.	$	700,009

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 3,544,160	$ -	$ 2,328	$ 3,546,488
Salaries and benefits	-	-	4,332	4,332
Construction	-	229,496	-	229,496
Total	$ 3,544,160	$ 229,496	$ 6,660	$ 3,780,316

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund
Federal financial assistance	$ 92,114

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 15,988,405	$ 9,168,186	$ (550,000)	$ 24,606,591	$ 1,360,000
Certificates of participation	6,190,000	-	(6,190,000)	-	-
Unamortized debt premiums	1,126,008	256,819	(152,388)	1,230,439	-
Capital leases	1,953,554	-	(1,525,837)	427,717	50,956
Compensated absences	283,500	41,284	-	324,784	-
Total	$ 25,541,467	$ 9,466,289	$ (8,418,225)	$ 26,589,531	$ 1,410,956

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the capital leases are made by the General Fund. The compensated absences will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
07/27/00	08/01/25	4.15%-8.00%	$ 2,449,773	$ 2,818,405	$ -	$ 168,186	$ -	$ 2,986,591
10/04/11	09/01/23	2.00%-5.00%	5,760,000	3,170,000	-	-	(550,000)	2,620,000
03/06/19	08/01/48	4.00%-5.00%	10,000,000	10,000,000	-	-	-	10,000,000
06/30/20	08/01/49	4.00%	2,285,000	-	2,285,000	-	-	2,285,000
06/30/20	08/01/49	2.70%-3.40%	6,715,000	-	6,715,000	-	-	6,715,000
				$ 15,988,405	$ 9,000,000	$ 168,186	$ (550,000)	$ 24,606,591

On June 30, 2020, the District issued $2,285,000 of 2018 General Obligation Bonds, Series B-1. A portion of the bonds were issued to refund certain maturities of the District's Energy Management capital lease on June 30, 2020. As a result, the outstanding obligation of the capital lease is considered to be defeased and the liability has been removed from the government-wide statement of net position. The refunding resulted in a cumulative cash flow cost of $727,152 over the life of the new debt and an economic loss of $(121,704) based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.40%.

On June 30, 2020, the District issued $6,715,000 of Taxable General Obligation Bonds, Series B-2. The bonds were deposited into an escrow account to provide future payments on the 2017 Certificates of Participation Refunding. The 2017 Certificates of Participation Refunding are considered to be defeased, and the related liability for the bonds has been removed from the government-wide statement of net position. The refunding resulted in a cumulative cash flow cost of $4,894,010 over the life of the new debt and an economic loss of $(863,485) based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.42%.

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Total Accreted Obligation	Unaccreted Interest	Maturity Value
2021	$ -	$ -	$ -	$ -	$ -
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	397,012	856,733	1,253,745	281,255	1,535,000
2025	277,330	603,413	880,743	264,257	1,145,000
2026	268,311	583,792	852,103	322,897	1,175,000
Total	$ 942,653	$ 2,043,938	$ 2,986,591	$ 868,409	$ 3,855,000

The current interest bonds mature as follows:

Fiscal Year	Principal	Maturity	Total
2021	$ 1,360,000	$ 699,281	$ 2,059,281
2022	1,035,000	808,874	1,843,874
2023	945,000	758,386	1,703,386
2024	1,015,000	715,348	1,730,348
2025	200,000	685,423	885,423
2026-2030	1,145,000	3,275,089	4,420,089
2031-2035	1,755,000	3,002,703	4,757,703
2036-2040	3,610,000	2,519,390	6,129,390
2041-2045	4,135,000	1,755,242	5,890,242
2046-2050	6,420,000	705,443	7,125,443
Total	$ 21,620,000	$ 14,925,179	$ 36,545,179

Capital Leases

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

	Administration Building	Energy Management	Total
Balance, July 1, 2019	$ 737,328	$ 1,639,968	$ 2,377,296
Additions	-	-	-
Payments	(87,210)	(1,639,968)	(1,727,178)
Balance, June 30, 2020	$ 650,118	$ -	$ 650,118

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 87,210
2022	94,478
2023	94,478
2024	94,478
2025	94,478
2026-2030	184,996
Total	650,118
Less amount representing interest	(222,401)
Present value of minimum lease payments	$ 427,717

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $324,784.

Note 10 - Net Other Postemployment Benefits (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	$ 5,135,560	$ 1,129,385	$ 85,202	$ 138,263
Medicare Premium Payment (MPP) Program	167,464	-	-	(2,375)
Total	$ 5,303,024	$ 1,129,385	$ 85,202	$ 135,888

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.

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	27
Active employees	272
Total	299

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.

Benefit Payments

The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Palo Verde Teachers'Association (PVTA), the local California School Employees Association (CSEA), 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, PVTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2019, the District paid $629,036 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $5,135,560 was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	3.50	percent
Healthcare cost trend rates	4.00	percent for 2019

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 4,398,431
Service cost	358,265
Interest	170,309
Differences between expected and actual experience	437,534
Changes of assumptions	97,985
Experience (Gains)/Losses	302,072
Benefit payments	(629,036)
Net change in total OPEB liability	737,129
Balance, June 30, 2020	$ 5,135,560

There were no changes to benefits noted from the prior evaluation.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.8% in 2019 to 3.5% in 2020.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 5,468,722
Current discount rate (3.5%)	5,135,560
1% increase (4.5%)	4,820,450

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 4,896,639
Current healthcare cost trend rate (4.0%)	5,135,560
1% increase (5.0%)	5,319,830

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of $138,263. At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 352,490	$ -
Experience Gains and Losses	686,011	-
Changes of assumptions	90,884	85,202
Total	$ 1,129,385	$ 85,202

OPEB contributions subsequent to the measurement date will be recognized as a reduction to the total OPEB liability in the subsequent fiscal year.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 52,657
2022	52,657
2023	52,657
2024	52,657
2025	7,650
Thereafter	473,415
Total	$ 691,693

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $167,464 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.0450% and 0.0444%, respectively, resulting in an net increase in the proportionate share of 0.0006%.

For the year ended June 30, 2020, the District recognized OPEB expense of $(2,375).

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23% of the potentially eligible population (165.422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.50%)	$ 182,742
Current discount rate (3.50%)	167,464
1% increase (4.50%)	153,417

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 156,964
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	167,464
1% increase (4.7% Part A and 5.1% Part B)	188,438

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 16,000	$ -	$ -	$ -	$ 16,000
Stores inventories	134,613	-	-	21,162	155,775
Total nonspendable	150,613	-	-	21,162	171,775
Restricted					
Legally restricted programs	1,635,204	-	-	-	1,635,204
Food service	-	-	-	666,065	666,065
Capital projects	-	5,301,838	-	205,843	5,507,681
Debt services	-	-	2,964,655	40	2,964,695
Total restricted	1,635,204	5,301,838	2,964,655	871,948	10,773,645
Assigned					
Capital projects	-	-	-	250,033	250,033
Unassigned					
Remaining unassigned	8,189,854	-	-	-	8,189,854
Total	$ 9,975,671	$ 5,301,838	$ 2,964,655	$ 1,143,143	$ 19,385,307

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 22,958,843	$ 7,357,534	$ 2,723,488	$ 2,967,321
CalPERS	14,462,573	3,653,322	242,582	2,286,673
Total	$ 37,421,416	$ 11,010,856	$ 2,966,070	$ 5,253,994

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
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	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $2,471,132.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 22,958,843
State's proportionate share of the net pension liability	12,525,581
Total	$ 35,484,424

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.0254% and 0.0247%, respectively, resulting in a net increase in the proportionate share of 0.0007%.

For the year ended June 30, 2020, the District recognized pension expense of $2,967,321. In addition, the District recognized pension expense and revenue of $1,865,329 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,471,132	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,924,651	1,192,153
Differences between projected and actual earnings on pension plan investments	-	884,381
Differences between expected and actual experience in the measurement of the total pension liability	57,959	646,954
Changes of assumptions	2,903,792	-
Total	$ 7,357,534	$ 2,723,488

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (89,205)
2022	(702,095)
2023	(145,766)
2024	52,685
Total	$ (884,381)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 678,652
2022	678,653
2023	523,708
2024	964,900
2025	164,331
Thereafter	37,051
Total	$ 3,047,295

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 34,187,617
Current discount rate (7.10%)	22,958,843
1% increase (8.10%)	13,648,050

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $1,358,591.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $14,462,573. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.0496% and 0.0459%, respectively, resulting in a net increase in the proportionate share of 0.0037%.

For the year ended June 30, 2020, the District recognized pension expense of $2,286,673. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,358,591	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	555,704	108,439
Differences between projected and actual earnings on pension plan investments	-	134,143
Differences between expected and actual experience in the measurement of the total pension liability	1,050,564	-
Changes of assumptions	688,463	-
Total	$ 3,653,322	$ 242,582

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 132,414
2022	(264,492)
2023	(40,080)
2024	38,015
Total	$ (134,143)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,218,880
2022	583,994
2023	348,562
2024	34,856
Total	$ 2,186,292

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 20,846,849
Current discount rate (7.15%)	14,462,573
1% increase (8.15%)	9,166,376

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,308,337 (10.328% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of $438,850 of these contributions has been recorded in these financial statements.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect of the overall financial position of the District at June 30, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Palo Verde High School Barn Project	$ 198,341	06/30/21
Site Security Improvements	31,155	06/30/21
Total	$ 229,496	

Note 14 - Participation in Public Entity Risk Pools

The District is a member of the Protective Insurance Program for Schools (PIPS), Riverside County Employer/Employee Partnership for Benefits (REEP), California Valued Trust (CVT), and Riverside Schools Insurance Authority (RSIA) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one board member to the governing board of PIPS and REEP.

During the year ended June 30, 2020, the District made payments of $1,263,027, $348,893, $4,511,836, and $296,396 to PIPS, REEP, CVT, and RSIA, respectively, for services received.

Note 15 - Subsequent Events

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

Palo Verde Unified School District

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances - Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	$ 31,029,290	$ 31,201,001	$ 30,947,492	$ (253,509)
Federal sources	3,347,352	3,603,651	3,467,357	(136,294)
Other State sources	2,559,510	3,123,087	3,151,930	28,843
Other local sources	1,306,730	1,632,645	2,008,993	376,348
Total revenues	38,242,882	39,560,384	39,575,772	15,388
Expenditures				
Current				
Certificated salaries	15,284,057	14,695,986	14,723,946	(27,960)
Classified salaries	7,225,317	7,385,161	6,767,867	617,294
Employee benefits	12,317,443	12,139,416	12,315,969	(176,553)
Books and supplies	1,750,672	2,264,444	1,128,014	1,136,430
Services and operating expenditures	3,921,727	4,121,145	3,539,254	581,891
Other outgo	35,000	35,000	60,119	(25,119)
Capital outlay	1,347,000	1,207,549	38,270	1,169,279
Debt service				
Debt service - principal	800,000	-	394,520	(394,520)
Debt service - interest and other	-	-	31,725	(31,725)
Total expenditures	42,681,216	41,848,701	38,999,684	2,849,017
Excess (Deficiency) of Revenues Over Expenditures	(4,438,334)	(2,288,317)	576,088	2,864,405
Other Financing Sources (Uses)				
Transfers out	-	734,634	-	(734,634)
Other uses	-	-	-	-
Net financing sources (uses)	-	734,634	-	(734,634)
Net Change in Fund Balances	(4,438,334)	(1,553,683)	576,088	2,129,771
Fund Balance - Beginning	9,399,583	9,399,583	9,399,583	-
Fund Balance - Ending	$ 4,961,249	$ 7,845,900	$ 9,975,671	$ 2,129,771

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 358,265	$ 366,547	$ 356,737
Interest	170,309	162,888	141,379
Difference between expected and actual experience	437,534	-	
Changes of assumptions	97,985	(101,280)	-
Experience (Gains)/Losses	302,072		
Benefit payments	(629,036)	(265,931)	(255,703)
Net change in total OPEB liability	737,129	162,224	242,413
Total OPEB Liability - Beginning	4,398,431	4,236,207	3,993,794
Total OPEB Liability - Ending	$ 5,135,560	$ 4,398,431	$ 4,236,207
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0450%	0.0444%	0.0427%
Proportionate share of the net OPEB liability	$ 167,464	$ 169,839	$ 179,473
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.0254%	0.0247%	0.0236%	0.0230%	0.0268%	0.0248%
Proportionate share of the net pension liability	$ 22,958,843	$ 22,720,074	$ 21,791,461	$ 18,612,934	$ 18,025,989	$ 14,507,037
State's proportionate share of the net pension liability	12,525,581	13,008,305	12,891,644	10,596,011	9,533,761	8,759,976
Total	$ 35,484,424	$ 35,728,379	$ 34,683,105	$ 29,208,945	$ 27,559,750	$ 23,267,013
Covered payroll	$ 14,606,106	$ 13,172,162	$ 12,701,033	$ 12,743,243	$ 19,051,610	20,506,461
Proportionate share of the net pension liability as a percentage of its covered payroll	157.19%	172.49%	171.57%	146.06%	94.62%	70.74%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.0496%	0.0459%	0.0470%	0.0472%	0.0535%	0.0500%
Proportionate share of the net pension liability	$ 14,462,573	$ 12,243,723	$ 11,215,178	$ 9,316,704	$ 7,891,738	$ 5,680,647
Covered payroll	$ 6,423,846	$ 6,053,268	$ 5,993,340	$ 6,062,311	$ 6,061,193	6,235,475
Proportionate share of the net pension liability as a percentage of its covered payroll	225.14%	202.27%	187.13%	153.68%	130.20%	91.10%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 2,471,132	$ 2,377,874	$ 1,900,743	$ 1,597,790	$ 1,367,350	$ 1,691,783
Less contributions in relation to the contractually required contribution	2,471,132	2,377,874	1,900,743	1,597,790	1,367,350	1,691,783
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 14,451,064	$ 14,606,106	$ 13,172,162	$ 12,701,033	$ 12,743,243	$ 19,051,610
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 1,358,591	$ 1,160,275	$ 940,133	$ 832,355	$ 718,202	$ 713,463
Less contributions in relation to the contractually required contribution	1,358,591	1,160,275	940,133	832,355	718,202	713,463
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 6,889,057	$ 6,423,846	$ 6,053,268	$ 5,993,340	$ 6,062,311	$ 6,061,193
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation for other postemployment benefits.
- *Changes of Assumptions* – The discount rate went from 3.8% in 2019 to 3.5% in 2020.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87% to 3.50% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

Supplementary Information
June 30, 2020

Palo Verde Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	$ 808,509
School Breakfast Program - National School Breakfast	10.553	13525	155
National School Lunch Program - Meal Supplements	10.555	13396	6,099
School Breakfast Program - Especially Needy Breakfast	10.553	13526	265,487
National School Lunch Program - Summer Food Program	10.559	13004	358,434
National School Lunch Program - Commodity Supplemental Food	10.555	13391	111,615
Total Child Nutrition Cluster			1,550,299
Child and Adult Care Food Program	10.558	13393	26,747
Total U.S. Department of Agriculture			1,577,046
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Local Assistance - Basic	84.027	13379	519,995
Local Assistance - Private School ISPs	84.027	10115	11,976
Mental Health Allocation Plan	84.027A	15197	104,901
Preschool Grants	84.173	13430	15,609
Preschool Staff Development	84.173	13431	133
Preschool Local Entitlement	84.027A	13682	2,462
Total Special Education Cluster			655,076
English Language Acquisition State Grants - Immigrant Student Program	84.365	15146	2,485
English Language Acquisition State Grants - LEP	84.365	14346	11,744
Subtotal			14,229
Title I Grants to Local Educational Agencies - Basic Grants Low-Income Neglected	84.010	14329	1,022,084
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	83,546
Student Support and Academic Enrichment Program	84.424	15396	97,214
Rural & Low Income School Program	84.358	14356	67,854
Early Intervention Grants	84.181	23761	1,229
Career and Technical Education - Basic Grants to States	84.048	14894	35,077
Total U.S. Department of Education			1,976,309
U.S. Department of Health and Human Services Human Services			
Passed Through California Department of Health and Human Services			
Head Start	93.600	10016	1,491,048
Total Expenditures of Federal Awards			$ 5,044,403

Organization

The Palo Verde Unified School District was established on July 1, 1936, and consists of an area comprising approximately 1,027 square miles. The District operates three elementary schools, one high school, and one continuation high school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jamey Mullion	President	2020
Martha Gutierrez	Vice President	2022
Samuel Burton	Clerk	2020
Alfonso (Sonny) Hernandez	Member	2020
Dr. Norman Guith	Member	2022

ADMINISTRATION

NAME	TITLE
Tracie Kern	Superintendent
Meliton Sanchez	Assistant Superintendent of Business Services
Lois Shaffer	Director of Data and Accountability

	Final Report	
	Second Period Report 836C4073	Annual Report E5322C82
Regular ADA		
Transitional kindergarten through third	843.12	843.12
Fourth through sixth	616.49	616.49
Seventh and eighth	432.32	432.32
Ninth through twelfth	833.75	833.75
Total Regular ADA	2,725.68	2,725.68
Extended Year Special Education		
Transitional kindergarten through third	1.02	1.02
Fourth through sixth	0.59	0.59
Seventh and eighth	0.11	0.11
Ninth through twelfth	0.70	0.70
Total Extended Year Special Education	2.42	2.42
Total ADA	2,728.10	2,728.10

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	50,460	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,180	180	N/A	Complied
Grade 2		54,180	180	N/A	Complied
Grade 3		54,180	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,500	180	N/A	Complied
Grade 5		55,500	180	N/A	Complied
Grade 6		55,500	180	N/A	Complied
Grade 7		55,500	180	N/A	Complied
Grade 8		55,500	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		69,050	180	N/A	Complied
Grade 10		69,050	180	N/A	Complied
Grade 11		69,050	180	N/A	Complied
Grade 12		69,050	180	N/A	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

	(Budget) 2021 [1]	2020	2019	2018
General Fund				
Revenues	$ 40,082,678	$ 39,575,772	$ 39,836,912	$ 36,858,101
Expenditures	42,380,533	38,892,871	39,498,439	34,372,634
Other uses and transfers out	-	106,813	-	-
Total Expenditures and Other Uses	42,380,533	38,999,684	39,498,439	34,372,634
Increase/(Decrease) in Fund Balance	(2,297,855)	576,088	338,473	2,485,467
Ending Fund Balance	$ 7,677,816	$ 9,975,671	$ 9,399,583	$ 9,061,110
Available Reserves	$ 2,771,507	$ 8,189,854	$ 6,919,888	$ 6,919,888
Available Reserves as a Percentage of Total Outgo	6.54%	21.00%	17.50%	20.10%
Long-Term Liabilities	N/A	$ 69,313,971	$ 65,073,534	$ 53,401,661
K-12 Average Daily Attendance at P-2	2,827	2,728	2,803	2,844

The General Fund balance has increased by $914,561 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $2,297,855 (23.03%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $15,912,310 over the past two years.

Average daily attendance has decreased by 116 over the past two years. Growth of 99 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.

Name of Charter School and Charter Number	Included in Audit Report
SCALE Leadership Academy - East (Charter No. 2019)	No

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
Assets						
Deposits and investments	$ 536,277	$ 166,640	$ 38,695	$ 249,563	$ 40	$ 991,215
Receivables	148,819	412	96	470	-	149,797
Stores inventories	21,161	-	-	-	-	21,161
Total assets	$ 706,257	$ 167,052	$ 38,791	$ 250,033	$ 40	$ 1,162,173
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 6,660	$ -	$ -	$ -	$ -	$ 6,660
Due to other funds	12,370	-	-	-	-	12,370
Total liabilities	19,030	-	-	-	-	19,030
Fund Balances						
Nonspendable	21,162	-	-	-	-	21,162
Restricted	666,065	167,052	38,791	-	40	871,948
Assigned	-	-	-	250,033	-	250,033
Total fund balances	687,227	167,052	38,791	250,033	40	1,143,143
Total liabilities and fund balances	$ 706,257	$ 167,052	$ 38,791	$ 250,033	$ 40	$ 1,162,173

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
Revenues						
Federal sources	$ 1,577,046	$ -	$ -	$ -	$ -	$ 1,577,046
Other State sources	116,177	-	-	-	-	116,177
Other local sources	85,802	12,533	687	436,209	53	535,284
Total revenues	1,779,025	12,533	687	436,209	53	2,228,507
Expenditures						
Current						
Pupil services						
Food services	1,630,840	-	-	-	-	1,630,840
Administration						
All other administration	45,197	-	-	-	-	45,197
Debt service						
Principal	-	-	-	-	480,000	480,000
Interest and other	-	-	-	72,457	220,094	292,551
Total expenditures	1,676,037	-	-	72,457	700,094	2,448,588
Excess (Deficiency) of Revenues Over Expenditures	102,988	12,533	687	363,752	(700,041)	(220,081)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	700,009	700,009
Transfers out	-	-	-	(700,009)	-	(700,009)
Net Financing Sources (Uses)	-	-	-	(700,009)	700,009	-
Net Change in Fund Balances	102,988	12,533	687	(336,257)	(32)	(220,081)
Fund Balance - Beginning	584,239	154,519	38,104	586,290	72	1,363,224
Fund Balance - Ending	$ 687,227	$ 167,052	$ 38,791	$ 250,033	$ 40	$ 1,143,143

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

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, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, or changes in net assets (or net position or fund balance), of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling $592 in inventory.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 52 days due to the pandemic. As a result, the District received credit for these 52 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Reports
June 30, 2020

Palo Verde Unified School District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Palo Verde Unified School District
Blythe, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Verde Unified School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2020.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 may exist that have not been identified.

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

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.

Eide Bailly LLP

Rancho Cucamonga, California
November 18, 2020

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Palo Verde Unified School District
Blythe, California

Report on Compliance for the Major Federal Program
We have audited Palo Verde Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
November 18, 2020

Independent Auditor's Report on State Compliance

To the Board of Directors
Palo Verde Unified School District
Blythe, California

Report on State Compliance

We have audited Palo Verde Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

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 laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below
Continuation Education	No, see below

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

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

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

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

Unmodified Opinion
In our opinion, Palo Verde Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
November 18, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Head Start	93.600

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

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

None reported.

None reported.

None reported.

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

Financial Statement Finding

2019-001 30000 – Financial Statement Preparation and Audit Adjustments

Criteria

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB). It also includes the ability to prepare the required footnote disclosures by GASB.

Condition

Communicating Internal Control Related Matters Identified in an Audit defines a material weakness and significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain accrual closing entries, government–wide reporting conversion entries and footnotes.

Questioned costs

There is not questioned costs identified with the condition note.

Context

Accruals related to accrued liabilities were not recorded and accounted for accurately as of year-end.

Effect

The auditor proposed certain accrual closing entries, government–wide reporting conversion entries and prepared the footnotes and reported financial data in accordance with generally accepted accounting principles to address the year end adjustment.

Cause

The size of the business office and limited resources made it difficult to implement this level of internal control.

Repeat Finding: No

Recommendation

Management and those charged with governance should implement a control system which allows for the monitoring of accruals and the related disclosure and consider whether to accept the degree of risk associated with this condition because of cost or other considerations.

Current Status

Implemented.

State Compliance Finding

2019-002 Code

40000 – Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

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

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported 49 students as having designation of free or reduced on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Questioned Costs

The District over claimed the total eligible pupils by 49, resulting in a decrease of approximately $113,015 in Local Control Funding Formula (LCFF) funding.

Context

The condition was identified as a result of selecting a sample of students from (the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance with the 2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section) 19489(a)(1).

The initial sample of FRPM only students was selected from three school sites, which resulted in exceptions noted for one of these sites. For 60 students selected, three had their status changed to paid after the verification process had been performed by the Nutrition Services Department. The auditor requested that the District identify all remaining students who had their status changed to paid due to the verification process. The District's review of all remaining students resulted in total of 49 students identified that were incorrectly designated as having free or reduced status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Effect

As a result of our testing, it appears that the District did not properly update the 1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report to align the reporting with the most current free and reduced eligibility information from the District's Nutrition Services Department. The following schedule identifies the exceptions District-wide.

Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Adjustment by Auditor	Adjusted Total Unduplicated Pupil Count	Total Adjusted Enrollment
9,080	6,873	(49)	6,824	9,080

Cause

The primary cause for inaccurate reporting of FRPM students appears to be early upload of verification data into CalPADS. The Nutrition Department finished verification in mid-November but the upload of changes in statuses due to verification was completed at the end of October.

Repeat Finding: No

Recommendation

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

Current Status

Implemented.

CPAs & BUSINESS ADVISORS

Management
Palo Verde Unified School District
Blythe, California

In planning and performing our audit of the financial statements of Palo Verde Unified School District (the District) for the year ended June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 18, 2020, on the government-wide financial statements of the District.

District Office

Continuing Disclosure

Observation

The District did not file its continuing disclosure on a timely basis in accordance with SEC Rule 15c2-12.

Recommendation

The District should send the annual report to the dissemination agent no later than nine months after the end of the District's fiscal year.

Eide Bailly LLP

Rancho Cucamonga, California
November 18, 2020