



Financial Statements
June 30, 2021

Palo Verde Unified School District



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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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 14 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 61, schedule of changes in the District's total OPEB liability and related ratios on page 62, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 63, schedule of the District's proportionate share of the net pension liability on pages 64 and 65, and schedule of District contributions on pages 66 and 67, 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 non-major governmental 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 non-major governmental 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 non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the 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 January 14, 2022 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 14, 2022



PALO VERDE **Unified School District**

“Improving Learning...Together”

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Board of Education

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Superintendent

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, 2021, with comparative information for the year ended June 30, 2020. 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, 2021. 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 2020-2021 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 3,805 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 2020-2021 with \$14,428,634 in net position.
- Net position increased by \$4,519,028 during the year.
- Palo Verde High School is undergoing an animal barn building site improvement and the project is to be completed early in the 2021-2022 fiscal year.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 A WHOLE

Net Position

The District's net position was \$14,428,634 for the fiscal year ended June 30, 2021. Of this amount, \$(24,580,615) 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	
	2021	2020 (as restated)
Assets		
Current and other assets	\$ 29,722,320	\$ 23,337,538
Capital assets	50,230,468	49,917,176
Total assets	79,952,788	73,254,714
Deferred outflows of resources	12,709,994	13,078,429
Liabilities		
Current liabilities	4,223,122	4,058,294
Long-term liabilities	71,684,566	69,313,971
Total liabilities	75,907,688	73,372,265
Deferred inflows of resources	2,326,460	3,051,272
Net Position		
Net investment in capital assets	32,812,455	31,936,393
Restricted	6,196,794	5,365,744
Unrestricted	(24,580,615)	(27,392,531)
Total net position	\$ 14,428,634	\$ 9,909,606

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	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 22,008	\$ 79,824
Operating grants and contributions	15,465,530	9,116,762
Capital grants and contributions	161	687
General revenues		
Federal and State aid not restricted	23,407,027	24,713,935
Property taxes	10,105,997	9,332,524
Other general revenues	2,308,078	967,288
Total revenues	<u>51,308,801</u>	<u>44,211,020</u>
Expenses		
Instruction-related	29,938,992	29,808,070
Pupil services	8,537,997	6,665,696
Administration	2,994,921	2,677,672
Plant services	3,539,399	4,518,955
All other services	1,778,464	2,463,674
Total expenses	<u>46,789,773</u>	<u>46,134,067</u>
Change in net position	<u>\$ 4,519,028</u>	<u>\$ (1,923,047)</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$46,789,773. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$10,105,997, because the cost was paid by those who benefited from the programs (\$22,008) or by other governments and organizations who subsidized certain programs with grants and contributions of \$15,465,691. We paid for the remaining "public benefit" portion of our governmental activities with \$23,407,027 in State and Federal funds and with \$2,308,078 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	
	2021	2020*	2021	2020*
Instruction- related	\$ 29,938,992	\$ 29,808,070	\$ (22,260,868)	\$ (23,878,253)
Pupil services	8,537,997	6,665,696	(2,250,594)	(4,035,873)
Administration	2,994,921	2,677,672	(2,428,855)	(2,222,437)
Plant services	3,539,399	4,518,955	(2,932,077)	(4,436,682)
All other services	1,778,464	2,463,674	(1,429,680)	(2,363,549)
Total	<u>\$ 46,789,773</u>	<u>\$ 46,134,067</u>	<u>\$ (31,302,074)</u>	<u>\$ (36,936,794)</u>

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$25,807,528, which is an increase of \$6,342,420 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 9,975,671	\$ 45,027,039	\$ 39,039,528	\$ 15,963,182
Building	5,301,838	21,543	828,329	4,495,052
Special Reserve Fund for Capital Outlay Projects	250,033	529,684	779,135	582
Non-Major Governmental Funds	3,937,566	6,157,621	4,746,475	5,348,712
Total	<u>\$ 19,465,108</u>	<u>\$ 51,735,887</u>	<u>\$ 45,393,467</u>	<u>\$ 25,807,528</u>

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 \$15,963,182.
- Overall revenues, including transfers in, were \$45,027,039, and expenditures were \$39,039,528 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.

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, 2021, the District had \$50,230,468 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 \$313,292 (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 3,788,312	\$ 5,790,711
Buildings and improvements	44,486,228	42,990,989
Equipment	1,955,928	1,135,476
Total	<u>\$ 50,230,468</u>	<u>\$ 49,917,176</u>

Long-Term Liabilities

At the end of this year, the District had \$71,684,566 in long-term liabilities outstanding versus \$69,313,971 last year. Those long-term liabilities consisted of the following:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 23,260,577	\$ 24,606,591
Unamortized premiums	1,186,548	1,230,439
Capital leases	376,761	427,717
Compensated absences	287,794	324,784
Net OPEB liability	6,155,943	5,303,024
Aggregate net pension liability	40,416,943	37,421,416
Total	<u>\$ 71,684,566</u>	<u>\$ 69,313,971</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2021-2022 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 2021-22, the District projects 5.07% and for 22-23 COLA is projected to decrease to 2.48%.
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. Due to uncertainty with quarantine levels and independent study participation, declines in ADA are of particular concern to the District in 21-22 and beyond.

Student enrollment and demographic trends

1. The Palo Verde Unified School District had an enrollment of 2,823 students for the 2020 2021 school year. For 21-22 and beyond, the projected decrease is just under 2% per 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 2020-21 ADA for the District is approximately 2,728.10, which is the result of a hold harmless provision that protects the District's ADA. Upon removal of the hold harmless provision, the District expect to experience significant ADA declines. The District is making every effort to improve attendance for the coming year. The also make significant efforts to improve our Independent Study program as we expect a significant number of students to participate in IS during fiscal year 21-22.
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.

Palo Verde Unified School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 23,956,917
Receivables	5,567,170
Stores inventories	198,233
Capital assets not depreciated	3,788,312
Capital assets, net of accumulated depreciation	46,442,156
Total assets	<u>79,952,788</u>
Deferred Outflows of Resources	
Deferred charge on refunding	852,897
Deferred outflows of resources related to OPEB	1,497,541
Deferred outflows of resources related to pensions	10,359,556
Total deferred outflows of resources	<u>12,709,994</u>
Liabilities	
Accounts payable	2,476,238
Interest payable	308,330
Unearned revenue	1,438,554
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,169,192
Long-term liabilities other than OPEB and pensions due in more than one year	23,942,488
Net other postemployment benefits liability (OPEB)	6,155,943
Aggregate net pension liability	40,416,943
Total liabilities	<u>75,907,688</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	77,163
Deferred inflows of resources related to pensions	2,249,297
Total deferred inflows of resources	<u>2,326,460</u>
Net Position	
Net investment in capital assets	32,812,455
Restricted for	
Debt service	2,402,412
Capital projects	219,779
Educational programs	2,908,538
Food Services	666,065
Unrestricted	(24,580,615)
Total net position	<u>\$ 14,428,634</u>

Palo Verde Unified School District

Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 25,573,588	\$ 58	\$ 6,708,242	\$ 161	\$ (18,865,127)
Instruction-related activities					
Supervision of instruction	1,278,731	-	510,828	-	(767,903)
Instructional library, media, and technology	538,420	3	204,844	-	(333,573)
School site administration	2,548,253	5	253,983	-	(2,294,265)
Pupil services					
Home-to-school transportation	2,424,360	9	950,442	-	(1,473,909)
Food services	2,563,948	11,166	3,803,208	-	1,250,426
All other pupil services	3,549,689	3	1,522,575	-	(2,027,111)
Administration					
Data processing	485,017	68	138,837	-	(346,112)
All other administration	2,509,904	538	426,623	-	(2,082,743)
Plant services	3,539,399	1,193	606,129	-	(2,932,077)
Ancillary services	482,581	-	92,149	-	(390,432)
Interest on long-term liabilities	1,190,796	-	-	-	(1,190,796)
Other outgo	105,087	8,965	247,670	-	151,548
Total governmental activities	<u>\$ 46,789,773</u>	<u>\$ 22,008</u>	<u>\$ 15,465,530</u>	<u>\$ 161</u>	<u>(31,302,074)</u>

Palo Verde Unified School District

Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General Revenues and Subventions					
Property taxes, levied for general purposes					\$ 7,515,965
Property taxes, levied for debt service					2,061,938
Taxes levied for other specific purposes					528,094
Federal and State aid not restricted to specific purposes					23,407,027
Interest and investment earnings					46,875
Miscellaneous					<u>2,261,203</u>
Subtotal, general revenues					<u>35,821,102</u>
Change in Net Position					4,519,028
Net Position - Beginning, as restated					<u>9,909,606</u>
Net Position - Ending					<u>\$ 14,428,634</u>

Palo Verde Unified School District

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 13,739,435	\$ 4,500,676	\$ 779,291	\$ 4,937,515	\$ 23,956,917
Receivables	5,054,791	3,352	426	508,601	5,567,170
Due from other funds	853,574	-	-	-	853,574
Stores inventories	168,880	-	-	29,353	198,233
Total assets	\$ 19,816,680	\$ 4,504,028	\$ 779,717	\$ 5,475,469	\$ 30,575,894
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,414,944	\$ 8,976	\$ -	\$ 52,318	\$ 2,476,238
Due to other funds	-	-	779,135	74,439	853,574
Unearned revenue	1,438,554	-	-	-	1,438,554
Total liabilities	3,853,498	8,976	779,135	126,757	4,768,366
Fund Balances					
Nonspendable	184,880	-	-	29,353	214,233
Restricted	2,826,530	4,495,052	-	5,319,359	12,640,941
Assigned	-	-	582	-	582
Unassigned	12,951,772	-	-	-	12,951,772
Total fund balances	15,963,182	4,495,052	582	5,348,712	25,807,528
Total liabilities and fund balances	\$ 19,816,680	\$ 4,504,028	\$ 779,717	\$ 5,475,469	\$ 30,575,894

Palo Verde Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$ 25,807,528
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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	\$ 82,119,051
Accumulated depreciation is	<u>(31,888,583)</u>

Net capital assets	50,230,468
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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. (308,330)

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

Debt refundings (deferred charge on refunding)	852,897
Other postemployment benefits (OPEB)	1,497,541
Net pension liability	<u>10,359,556</u>

Total deferred outflows of resources	12,709,994
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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 (OPEB)	(77,163)
Net pension liability	<u>(2,249,297)</u>

Total deferred inflows of resources	(2,326,460)
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Net pension liability is not due and payable in the current period,
and is not reported as a liability in the funds. (40,416,943)

The District's OPEB liability is not due and payable in the current period,
and is not reported as a liability in the funds. (6,155,943)

Palo Verde Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

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	\$ (21,202,653)
Unamortized debt premiums	(1,186,548)
Capital leases	(376,761)
Compensated absences (vacations)	(287,794)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(2,057,924)

Total long-term liabilities	<u>\$ (25,111,680)</u>
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Total net position - governmental activities	<u><u>\$ 14,428,634</u></u>
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Palo Verde Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 30,236,658	\$ -	\$ -	\$ -	\$ 30,236,658
Federal sources	6,726,350	-	-	3,830,460	10,556,810
Other State sources	4,716,216	-	-	184,832	4,901,048
Other local sources	2,568,680	21,543	529,684	2,142,329	5,262,236
Total revenues	44,247,904	21,543	529,684	6,157,621	50,956,752
Expenditures					
Current					
Instruction	22,363,020	-	-	-	22,363,020
Instruction-related activities					
Supervision of instruction	1,094,703	-	-	-	1,094,703
Instructional library, media, and technology	370,411	-	-	-	370,411
School site administration	2,271,925	-	-	-	2,271,925
Pupil services					
Home-to-school transportation	2,203,279	-	-	-	2,203,279
Food services	133,482	-	-	2,290,174	2,423,656
All other pupil services	3,079,688	-	-	-	3,079,688
Administration					
Data processing	433,046	-	-	-	433,046
All other administration	2,179,995	-	-	74,330	2,254,325
Plant services	4,258,331	-	-	6,605	4,264,936
Ancillary services	414,006	-	-	38,636	452,642
Other outgo	105,047	-	-	40	105,087
Facility acquisition and construction	45,385	828,329	-	-	873,714
Debt service					
Principal	50,956	-	-	1,524,236	1,575,192
Interest and other	36,254	-	-	812,454	848,708
Total expenditures	39,039,528	828,329	-	4,746,475	44,614,332

Palo Verde Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,208,376	\$ (806,786)	\$ 529,684	\$ 1,411,146	\$ 6,342,420
Other Financing Sources (Uses)					
Transfers in	779,135	-	-	-	779,135
Transfers out	-	-	(779,135)	-	(779,135)
Net Financing Sources (Uses)	779,135	-	(779,135)	-	-
Net Change in Fund Balances	5,987,511	(806,786)	(249,451)	1,411,146	6,342,420
Fund Balance - Beginning, as restated	9,975,671	5,301,838	250,033	3,937,566	19,465,108
Fund Balance - Ending	\$ 15,963,182	\$ 4,495,052	\$ 582	\$ 5,348,712	\$ 25,807,528

Palo Verde Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 6,342,420

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 expense in the period.

Capital outlays	\$	1,965,515
Depreciation expense		<u>(1,652,223)</u>

Net expense adjustment		313,292
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (178,222)

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. 36,990

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. (2,930,054)

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. (476,724)

Palo Verde Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	\$ 43,891
Deferred charge on refunding amortization	(85,291)

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	1,524,236
Capital leases	50,956

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.

(122,466)

Change in net position of governmental activities	<u><u>\$ 4,519,028</u></u>
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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 governmental funds.

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.

-
- **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).

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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **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.).

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.

- **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).
- **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.

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. 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.

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 contributions subsequent to measurement date, proportionate share of contributions, differences between projected and actual earnings on investments, differences between expected and actual experience of total pension liability, and changes of assumptions.

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 contributions subsequent to measurement date, proportionate share of contributions, differences between projected and actual earnings on investments, differences between expected and actual experience of total pension liability, changes of assumptions, and differences between projected and actual experience.

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, 2021, 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 \$6,196,794 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.

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

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 14.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 23,956,917
	<u> </u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 82,008
Cash in revolving	16,000
Investments	<u>23,858,909</u>
	<u> </u>
Total deposits and investments	<u>\$ 23,956,917</u>

Policies and Practices

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

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
Riverside County Investment Pool	\$ 23,858,909	420

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	Fitch Rating as of Year End Aaa-bf
Riverside County Investment Pool	\$ 23,858,909	N/A	\$ 23,858,909

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, 2021, none of the District's bank balance was not exposed to custodial credit risk.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 1,525,315	\$ -	\$ -	\$ 481,126	\$ 2,006,441
State Government					
LCFF apportionment	2,038,487	-	-	-	2,038,487
Categorical aid	164,883	-	-	22,302	187,185
Lottery	188,604	-	-	-	188,604
Local Government					
Interest	7,513	3,352	426	1,052	12,343
Other local sources	1,129,989	-	-	4,121	1,134,110
Total	<u>\$ 5,054,791</u>	<u>\$ 3,352</u>	<u>\$ 426</u>	<u>\$ 508,601</u>	<u>\$ 5,567,170</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 479,033	\$ -	\$ -	\$ 479,033
Construction in progress	5,311,678	371,209	(2,373,608)	3,309,279
Total capital assets not being depreciated	5,790,711	371,209	(2,373,608)	3,788,312
Capital assets being depreciated				
Buildings and improvements	67,934,222	2,866,848	-	70,801,070
Furniture and equipment	6,428,603	1,101,066	-	7,529,669
Total capital assets being depreciated	74,362,825	3,967,914	-	78,330,739
Total capital assets	80,153,536	4,339,123	(2,373,608)	82,119,051
Accumulated depreciation				
Buildings and improvements	(24,943,233)	(1,371,609)	-	(26,314,842)
Furniture and equipment	(5,293,127)	(280,614)	-	(5,573,741)
Total accumulated depreciation	(30,236,360)	(1,652,223)	-	(31,888,583)
Governmental activities capital assets, net	\$ 49,917,176	\$ 2,686,900	\$ (2,373,608)	\$ 50,230,468

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 850,204
Supervision of instruction	56,854
Instructional library, media, and technology	135,248
School site administration	35,464
Home-to-school transportation	95,388
Food services	66,362
All other pupil services	105,059
Data processing	8,893
All other administration	112,150
Plant services	186,601
	<hr/>
Total depreciation expenses governmental activities	\$ 1,652,223
	<hr/>

Note 5 - 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, 2021, between major and non-major governmental funds are as follows:

The balance of \$74,439 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect costs.

The balance of \$779,135 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects for capital projects.

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, 2021, consisted of the following:

The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for capital projects.

\$ 779,135

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 446,980	\$ 8,976	\$ 52,266	\$ 508,222
LCFF apportionment	1,893,889	-	-	1,893,889
Salaries and benefits	74,075	-	52	74,127
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,414,944</u>	<u>\$ 8,976</u>	<u>\$ 52,318</u>	<u>\$ 2,476,238</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund
Federal financial assistance	\$ 940,318
State categorical aid	498,236
	<u> </u>
Total	<u>\$ 1,438,554</u>

Note 8 - 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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 24,606,591	\$ 178,222	\$ (1,524,236)	\$ 23,260,577	\$ 1,115,178
Unamortized debt premiums	1,230,439	-	(43,891)	1,186,548	-
Capital leases	427,717	-	(50,956)	376,761	54,014
Compensated absences*	324,784	-	(36,990)	287,794	-
Total	<u>\$ 26,589,531</u>	<u>\$ 178,222</u>	<u>\$ (1,656,073)</u>	<u>\$ 25,111,680</u>	<u>\$ 1,169,192</u>

* Change in compensated absences is presented as a net change.

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.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2021
07/27/00	08/01/25	4.15%-8.00%	\$2,449,773	\$ 2,986,591	\$ 178,222	\$ (164,236)	\$ 3,000,577
10/04/11	09/01/23	2.00%-5.00%	5,760,000	2,620,000	-	(585,000)	2,035,000
03/06/19	08/01/48	4.00%-5.00%	10,000,000	10,000,000	-	(775,000)	9,225,000
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
				<u>\$ 24,606,591</u>	<u>\$ 178,222</u>	<u>\$ (1,524,236)</u>	<u>\$ 23,260,577</u>

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
2022	\$ -	\$ -	\$ -	\$ -	\$ -
2023	-	-	-	-	-
2024	397,012	767,096	1,164,108	370,892	1,535,000
2025	277,330	656,082	933,412	211,588	1,145,000
2026	268,311	634,746	903,057	271,943	1,175,000
Total	<u>\$ 942,653</u>	<u>\$ 2,057,924</u>	<u>\$ 3,000,577</u>	<u>\$ 854,423</u>	<u>\$ 3,855,000</u>

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	205,000	675,298	880,298
2027-2031	1,195,000	3,225,064	4,420,064
2032-2036	2,150,000	2,931,440	5,081,440
2037-2041	3,770,000	2,383,580	6,153,580
2042-2046	4,235,000	1,570,711	5,805,711
2047-2050	5,510,000	461,775	5,971,775
Total	<u>\$ 20,260,000</u>	<u>\$ 14,215,899</u>	<u>\$ 34,475,899</u>

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
Balance, July 1, 2020	\$ 650,118
Payments	<u>(87,210)</u>
Balance, June 30, 2021	<u><u>\$ 562,908</u></u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	\$ 94,478
2023	94,478
2024	94,478
2025	94,478
2026	94,478
2027	<u>90,518</u>
Total	<u>562,908</u>
Less amount representing interest	<u>(186,147)</u>
Present value of minimum lease payments	<u><u>\$ 376,761</u></u>

Leased buildings under the capital lease in capital assets at June 30, 2021, include the following:

Buildings	1,251,654
Less accumulated depreciation	<u>(638,343)</u>
Total	<u><u>\$ 613,311</u></u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$287,794.

Note 9 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, 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	\$ 5,959,803	\$ 1,497,541	\$ 77,163	\$ 448,048
Medicare Premium Payment (MPP) Program	196,140	-	-	28,676
Total	<u>\$ 6,155,943</u>	<u>\$ 1,497,541</u>	<u>\$ 77,163</u>	<u>\$ 476,724</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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	<u>272</u>
Total	<u>299</u>

Benefits Provided

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

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, 2020, the District paid \$352,490 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$5,959,803 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net/total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2021. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2.20 percent
Healthcare cost trend rates	7.00 percent for 2020

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, 2020	\$ 5,135,560
Service cost	412,913
Interest	181,510
Changes of assumptions	541,873
Experience (Gains)/Losses	40,437
Benefit payments	(352,490)
Net change in total OPEB liability	824,243
Balance, June 30, 2021	\$ 5,959,803

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 2020 to 2.20% in 2021, inflation from 2.75% in 2020 to 2.63% in 2021, and healthcare cost trend rate from 4.0% in 2020 to 7.0% in 2021.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.20%)	\$ 6,311,459
Current discount rate (2.20%)	5,959,803
1% increase (3.20%)	5,525,719

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%)	\$ 5,621,708
Current healthcare cost trend rate (4.0%)	5,959,803
1% increase (5.0%)	6,292,690

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$448,048. At June 30, 2021, 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	\$ 241,230	\$ -
Changes of assumptions	586,389	77,163
Differences between expected and actual experience	669,922	-
Total	<u>\$ 1,497,541</u>	<u>\$ 77,163</u>

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
2022	94,855
2023	94,855
2024	94,855
2025	94,855
2026	94,855
Thereafter	704,873
Total	<u>\$ 1,179,148</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 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, 2021, the District reported a liability of \$196,140 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, was 0.0463% and 0.0450%, respectively, resulting in a net increase in the proportionate share of 0.0013%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$28,676.

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	June 30, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. 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 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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 OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (1.21%)	\$ 216,888
Current discount rate 2.21%	196,140
1% increase (3.21%)	178,486

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 OPEB 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 (3.50% Part A and 4.40% Part B)	\$ 177,847
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	196,140
1% increase (5.50% Part A and 6.40% Part B)	217,199

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 16,000	\$ -	\$ -	\$ -	\$ 16,000
Stores inventories	168,880	-	-	29,353	198,233
Total nonspendable	184,880	-	-	29,353	214,233
Restricted					
Legally restricted programs	2,826,530	4,495,052	-	2,388,838	9,710,420
Capital projects	-	-	-	219,779	219,779
Debt services	-	-	-	2,710,742	2,710,742
Total restricted	2,826,530	4,495,052	-	5,319,359	12,640,941
Assigned					
Capital projects	-	-	582	-	582
Unassigned					
Remaining unassigned	12,951,772	-	-	-	12,951,772
Total	<u>\$ 15,963,182</u>	<u>\$ 4,495,052</u>	<u>\$ 582</u>	<u>\$ 5,348,712</u>	<u>\$ 25,807,528</u>

Note 11 - 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, 2021, 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	\$ 25,740,899	\$ 7,515,399	\$ 1,520,707	\$ 3,625,158
CalPERS	14,676,044	2,844,157	728,590	2,889,144
Total	<u>\$ 40,416,943</u>	<u>\$ 10,359,556</u>	<u>\$ 2,249,297</u>	<u>\$ 6,514,302</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
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, 2021, are presented above and the District's total contributions were \$2,203,748.

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

At June 30, 2021, 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	\$ 25,740,899
State's proportionate share of the net pension liability	<u>13,269,437</u>
Total	<u><u>\$ 39,010,336</u></u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0266% and 0.0254%, respectively, resulting in a net increase in the proportionate share of 0.0012%.

For the year ended June 30, 2021, the District recognized pension expense of \$3,625,158. In addition, the District recognized pension expense and revenue of \$1,858,918 for support provided by the State. At June 30, 2021, 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	\$ 2,203,748	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,144,673	794,769
Differences between projected and actual earnings on pension plan investments	611,455	-
Differences between expected and actual experience in the measurement of the total pension liability	45,421	725,938
Changes of assumptions	<u>2,510,102</u>	<u>-</u>
Total	<u><u>\$ 7,515,399</u></u>	<u><u>\$ 1,520,707</u></u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (373,107)
2023	208,334
2024	415,649
2025	360,579
Total	<u>\$ 611,455</u>

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
2022	\$ 826,507
2023	674,111
2024	1,117,180
2025	283,307
2026	156,216
Thereafter	122,168
Total	<u>\$ 3,179,489</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS 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 January 2020 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Fixed income	12%	1.3%
Real estate	15%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	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%)	\$ 38,890,913
Current discount rate (7.10%)	25,740,899
1% increase (8.10%)	14,883,711

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, 2019, 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

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, 2021, are presented above and the total District contributions were \$1,380,500.

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

As of June 30, 2021, 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, 2020. 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, 2020 and June 30, 2019, was 0.0478% and 0.0496%, respectively, resulting in a net decrease in the proportionate share of 0.0018%.

For the year ended June 30, 2021, the District recognized pension expense of \$2,889,144. At June 30, 2021, 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	\$ 1,380,500	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	376,445	728,590
Differences between projected and actual earnings on pension plan investments	305,507	-
Differences between expected and actual experience in the measurement of the total pension liability	727,887	-
Changes of assumptions	53,818	-
	<u>\$ 2,844,157</u>	<u>\$ 728,590</u>
Total	<u>\$ 2,844,157</u>	<u>\$ 728,590</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (114,328)
2023	101,977
2024	177,251
2025	140,607
Total	<u>\$ 305,507</u>

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
2022	\$ 401,528
2023	176,417
2024	(131,781)
2025	(16,604)
Total	<u>\$ 429,560</u>

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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% 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%)	\$ 21,099,489
Current discount rate (7.15%)	14,676,044
1% increase (8.15%)	9,344,906

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 \$1,506,869 (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.

Note 12 - 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, 2021.

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, 2021.

Construction Commitments

As of June 30, 2021, 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 – CTE AG Facility Animal Barns	\$ 5,416,751	April 2022
Site Security Improvements	501,295	April 2022
Total	<u>\$ 5,918,046</u>	

Note 13 - 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, 2021, the District made payments of \$1,217,599, \$329,389, \$4,349,142, and \$298,309 to PIPS, REEP, CVT, and RSIA, respectively, for services received.

Note 14 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance Previously Reported at June 30, 2020	\$ 3,857,765	\$ 19,385,307
Prior Period Adjustment - Implementation of GASB 84		
Reclassification of student activity funds from agency funds to a special revenue fund	79,801	79,801
Fund Balance Restated at July 1, 2020	<u>\$ 3,937,566</u>	<u>\$ 19,465,108</u>

The restatement of net position is identified as follows:

Governmental Activities	
Beginning Net Position Governmental Activities as Previously Reported at June 30, 2020	\$ 9,829,805
Reclassification of student activity funds from agency funds to a special revenue fund	79,801
Net Position Restated at July 1, 2020	<u>\$ 9,909,606</u>



Required Supplementary Information
June 30, 2021

Palo Verde Unified School District

Palo Verde Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 27,850,892	\$ 30,239,949	\$ 30,236,658	\$ (3,291)
Federal sources	6,229,248	9,162,039	6,726,350	(2,435,689)
Other State sources	3,949,130	5,239,108	4,716,216	(522,892)
Other local sources	2,053,408	2,083,057	2,568,680	485,623
Total revenues	40,082,678	46,724,153	44,247,904	(2,476,249)
Expenditures				
Current				
Certificated salaries	14,733,933	14,233,298	13,982,710	250,588
Classified salaries	7,123,227	7,345,058	6,558,892	786,166
Employee benefits	12,297,769	12,834,526	11,594,100	1,240,426
Books and supplies	2,561,537	3,086,989	1,834,753	1,252,236
Services and operating expenditures	4,049,700	5,073,236	3,857,777	1,215,459
Other outgo	109,924	26,405	10,053	16,352
Capital outlay	1,504,443	1,771,485	1,114,033	657,452
Debt service				
Debt service - principal	-	-	50,956	(50,956)
Debt service - interest and other	-	-	36,254	(36,254)
Total expenditures	42,380,533	44,370,997	39,039,528	5,331,469
Excess (Deficiency) of Revenues Over Expenditures	(2,297,855)	2,353,156	5,208,376	2,855,220
Other Financing Sources (Uses)				
Transfers in	-	655,033	779,135	124,102
Net Change in Fund Balances	(2,297,855)	3,008,189	5,987,511	2,979,322
Fund Balance - Beginning	9,975,671	9,975,671	9,975,671	-
Fund Balance - Ending	\$ 7,677,816	\$ 12,983,860	\$ 15,963,182	\$ 2,979,322

Palo Verde Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 412,913	\$ 358,265	\$ 366,547	\$ 356,737
Interest	181,510	170,309	162,888	141,379
Difference between expected and actual experience	-	437,534	-	
Changes of assumptions	541,873	97,985	(101,280)	-
Experience (Gains)/Losses	40,437	302,072		
Benefit payments	(352,490)	(629,036)	(265,931)	(255,703)
Net change in total OPEB liability	824,243	737,129	162,224	242,413
Total OPEB Liability - Beginning	5,135,560	4,398,431	4,236,207	3,993,794
Total OPEB Liability - Ending	\$ 5,959,803	\$ 5,135,560	\$ 4,398,431	\$ 4,236,207
Covered Payroll	N/A ¹	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	N/A ¹
Measurement Date	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2018

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.

Palo Verde Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0463%	0.0450%	0.0444%	0.0427%
Proportionate share of the net OPEB liability	\$ 196,140	\$ 167,464	\$ 169,839	\$ 179,473
Covered payroll	N/A ¹	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	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	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.

Palo Verde Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018	2017
CalSTRS					
Proportion of the net pension liability	0.0266%	0.0254%	0.0247%	0.0236%	0.0230%
Proportionate share of the net pension liability	\$ 25,740,899	\$ 22,958,843	\$ 22,720,074	\$ 21,791,461	\$ 18,612,934
State's proportionate share of the net pension liability	13,269,437	12,525,581	13,008,305	12,891,644	10,596,011
Total	\$ 39,010,336	\$ 35,484,424	\$ 35,728,379	\$ 34,683,105	\$ 29,208,945
Covered payroll	\$ 14,451,064	\$ 14,606,106	\$ 13,172,162	\$ 12,701,033	\$ 12,743,243
Proportionate share of the net pension liability as a percentage of its covered payroll	178.12%	157.19%	172.49%	171.57%	146.06%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
CalPERS					
Proportion of the net pension liability	0.0478%	0.0496%	0.0459%	0.0470%	0.0472%
Proportionate share of the net pension liability	\$ 14,676,044	\$ 14,462,573	\$ 12,243,723	\$ 11,215,178	\$ 9,316,704
Covered payroll	\$ 6,889,057	\$ 6,423,846	\$ 6,053,268	\$ 5,993,340	\$ 6,062,311
Proportionate share of the net pension liability as a percentage of its covered payroll	213.03%	225.14%	202.27%	187.13%	153.68%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

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

Palo Verde Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2016	2015
CalSTRS		
Proportion of the net pension liability	0.0268%	0.0248%
Proportionate share of the net pension liability	\$ 18,025,989	\$ 14,507,037
State's proportionate share of the net pension liability	9,533,761	8,759,976
Total	\$ 27,559,750	\$ 23,267,013
Covered payroll	\$ 19,051,610	20,506,461
Proportionate share of the net pension liability as a percentage of its covered payroll	94.62%	70.74%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
Measurement Date	June 30, 2015	June 30, 2014
CalPERS		
Proportion of the net pension liability	0.0535%	0.0500%
Proportionate share of the net pension liability	\$ 7,891,738	\$ 5,680,647
Covered payroll	\$ 6,061,193	6,235,475
Proportionate share of the net pension liability as a percentage of its covered payroll	130.20%	91.10%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%
Measurement Date	June 30, 2015	June 30, 2014

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

Palo Verde Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017
CalSTRS					
Contractually required contribution	\$ 2,203,748	\$ 2,471,132	\$ 2,377,874	\$ 1,900,743	\$ 1,597,790
Less contributions in relation to the contractually required contribution	<u>2,203,748</u>	<u>2,471,132</u>	<u>2,377,874</u>	<u>1,900,743</u>	<u>1,597,790</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 13,645,498</u>	<u>\$ 14,451,064</u>	<u>\$ 14,606,106</u>	<u>\$ 13,172,162</u>	<u>\$ 12,701,033</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>
CalPERS					
Contractually required contribution	\$ 1,380,500	\$ 1,358,591	\$ 1,160,275	\$ 940,133	\$ 832,355
Less contributions in relation to the contractually required contribution	<u>1,380,500</u>	<u>1,358,591</u>	<u>1,160,275</u>	<u>940,133</u>	<u>832,355</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,669,082</u>	<u>\$ 6,889,057</u>	<u>\$ 6,423,846</u>	<u>\$ 6,053,268</u>	<u>\$ 5,993,340</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>

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

Palo Verde Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 1,367,350	\$ 1,691,783
Less contributions in relation to the contractually required contribution	<u>1,367,350</u>	<u>1,691,783</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 12,743,243</u>	<u>\$ 19,051,610</u>
Contributions as a percentage of covered payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 718,202	\$ 713,463
Less contributions in relation to the contractually required contribution	<u>718,202</u>	<u>713,463</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,062,311</u>	<u>\$ 6,061,193</u>
Contributions as a percentage of covered payroll	<u>11.847%</u>	<u>11.771%</u>

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% to 2.20%, the inflation rate went from 2.75% in 2020 to 2.63%, and the healthcare cost trend rate went from 4.0% in 2020 to 7.0% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% 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, 2021

Palo Verde Unified School District

Palo Verde Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through Riverside County Special Education Local Plan Area			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 544,780
Special Education Grants to States - Private School ISPs	84.027	10115	2,925
Special Education Preschool Grants	84.173	13430	24,831
Total Special Education Cluster			572,536
Passed Through California Department of Education (CDE)			
Title I Grants to Local Educational Agencies - Basic Grants Low-Income Neglected	84.010	14329	1,660,395
Title I Grants to Local Educational Agencies - School Improvement	84.010	15438	89,602
Subtotal			1,749,997
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	31,395
Title II, Part A, Supporting Effective Instruction	84.367	14341	78,863
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	40,501
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	37,856
Title V, Part B, Rural and Low Income School Program	84.58	14356	1,687
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	119,660
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	51,538
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425C	15535	97,455
Subtotal			268,653
Total U.S. Department of Education			2,781,488

Palo Verde Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury Passed through California Department of Education COVID-19 Coronavirus Relief Fund	21.019	25516	\$ 2,563,434
U.S. Department of Health and Human Services Human Services Passed Through California Department of Health and Human Services Head Start Cluster Head Start	93.600	10016	1,478,883
U.S. Department of Agriculture Passed Through California Department of Education Child Nutrition Cluster			
National School Lunch Program - Summer Food Program	10.559	13004	2,084,530
National School Lunch Program - Commodity Supplemental Food	10.555	13391	126,064
Total Child Nutrition Cluster			2,210,594
Child and Adult Care Food Program	10.558	13393	539,981
Total U.S. Department of Agriculture			2,750,575
Total Federal Financial Assistance			\$ 9,574,380

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	2024
Alfonso (Sonny) Hernandez	Vice President	2024
Martha Gutierrez	Clerk	2022
Diana Esquibel-Mendez	Member	2022
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

Palo Verde Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	-	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	-	180	Complied
Grade 2	180	N/A	-	180	Complied
Grade 3	180	N/A	-	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	-	180	Complied
Grade 5	180	N/A	-	180	Complied
Grade 6	180	N/A	-	180	Complied
Grade 7	180	N/A	-	180	Complied
Grade 8	180	N/A	-	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	-	180	Complied
Grade 10	180	N/A	-	180	Complied
Grade 11	180	N/A	-	180	Complied
Grade 12	180	N/A	-	180	Complied

Palo Verde Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Student Activity Fund
	<hr/>
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 23,229
Increase in	
Cash in banks	<hr/> 58,779
Balance, June 30, 2021, Audited Financial Statements	<hr/> <hr/> \$ 82,008

Palo Verde Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues	\$ 40,893,550	\$ 44,247,904	\$ 39,575,772	\$ 39,836,912
Other sources	405,000	779,135	-	-
Total Revenues and Other Sources	<u>41,298,550</u>	<u>45,027,039</u>	<u>39,575,772</u>	<u>39,836,912</u>
Expenditures	40,670,604	38,867,932	38,892,871	39,498,439
Other uses and transfers out	-	171,596	106,813	-
Total Expenditures and Other Uses	<u>40,670,604</u>	<u>39,039,528</u>	<u>38,999,684</u>	<u>39,498,439</u>
Increase/(Decrease) in Fund Balance	<u>627,946</u>	<u>5,987,511</u>	<u>576,088</u>	<u>338,473</u>
Ending Fund Balance	<u>\$ 16,591,128</u>	<u>\$ 15,963,182</u>	<u>\$ 9,975,671</u>	<u>\$ 9,399,583</u>
Available Reserves	<u>\$ 3,810,902</u>	<u>\$ 12,951,772</u>	<u>\$ 8,189,854</u>	<u>\$ 6,919,888</u>
Available Reserves as a Percentage of Total Outgo	<u>9.37%</u>	<u>33.18%</u>	<u>21.00%</u>	<u>17.50%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 71,684,566</u>	<u>\$ 69,313,971</u>	<u>\$ 65,073,534</u>
K-12 Average Daily Attendance at P-2	<u>2,728</u>	<u>2,728</u>	<u>2,728</u>	<u>2,803</u>

The General Fund balance has increased by \$6,563,599 over the past two years. The fiscal year 2021-2022 budget projects a further increase of \$627,946 (3.93%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$6,611,032 over the past two years.

Average daily attendance has decreased by 75 over the past two years. No change in ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

Palo Verde Unified School District
Schedule of Charter Schools
Year Ended June 30, 2021

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
SCALE Leadership Academy - East	2019	No

Palo Verde Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets							
Deposits and investments	\$ 82,008	\$ 1,923,141	\$ 182,692	\$ 38,932	\$ 2,710,742	\$ -	\$ 4,937,515
Receivables	-	508,442	131	28	-	-	508,601
Stores inventories	-	29,353	-	-	-	-	29,353
Total assets	\$ 82,008	\$ 2,460,936	\$ 182,823	\$ 38,960	\$ 2,710,742	\$ -	\$ 5,475,469
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ 50,314	\$ 2,004	\$ -	\$ -	\$ -	\$ 52,318
Due to other funds	-	74,439	-	-	-	-	74,439
Total liabilities	-	124,753	2,004	-	-	-	126,757
Fund Balances							
Nonspendable	-	29,353	-	-	-	-	29,353
Restricted	82,008	2,306,830	180,819	38,960	2,710,742	-	5,319,359
Total fund balances	82,008	2,336,183	180,819	38,960	2,710,742	-	5,348,712
Total liabilities and fund balances	\$ 82,008	\$ 2,460,936	\$ 182,823	\$ 38,960	\$ 2,710,742	\$ -	\$ 5,475,469

Palo Verde Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2021

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues							
Federal sources	\$ -	\$ 3,830,460	\$ -	\$ -	\$ -	\$ -	\$ 3,830,460
Other State sources	-	173,588	-	-	11,244	-	184,832
Other local sources	40,843	16,017	13,767	169	2,071,533	-	2,142,329
Total revenues	40,843	4,020,065	13,767	169	2,082,777	-	6,157,621
Expenditures							
Current							
Pupil services							
Food services	-	2,290,174	-	-	-	-	2,290,174
Administration							
All other administration	-	74,330	-	-	-	-	74,330
Plant services	-	6,605	-	-	-	-	6,605
Ancillary services	38,636	-	-	-	-	-	38,636
Other outgo	-	-	-	-	-	40	40
Debt service							
Principal	-	-	-	-	1,524,236	-	1,524,236
Interest and other	-	-	-	-	812,454	-	812,454
Total expenditures	38,636	2,371,109	-	-	2,336,690	40	4,746,475
Excess (Deficiency) of Revenues Over Expenditures	2,207	1,648,956	13,767	169	(253,913)	(40)	1,411,146
Fund Balance - Beginning	79,801	687,227	167,052	38,791	2,964,655	40	3,937,566
Fund Balance - Ending	\$ 82,008	\$ 2,336,183	\$ 180,819	\$ 38,960	\$ 2,710,742	\$ -	\$ 5,348,712

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, 2021. 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, 2021, the District had food commodities totaling \$652 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Child and Adult Care Food Program funds have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the Cafeteria Fund.

Description	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Total Federal Revenues reported on the financial statements		\$ 10,556,810
Child and Adult Care Food Program	10.558	(982,430)
Total Federal Financial Assistance		<u>\$ 9,574,380</u>

Local Education Agency Organization Structure

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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, 2021

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, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 14 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

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

Purpose of this Report

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

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

Rancho Cucamonga, California
January 14, 2022



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 Each 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 each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

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

Rancho Cucamonga, California
January 14, 2022



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 *2020-2021 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, 2021.

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 *2020-2021 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 and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	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	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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.

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.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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, the District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
January 14, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Palo Verde Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
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(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
COVID-19 Coronavirus Relief Fund	21.019
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
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The following finding represents a material weaknesses related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code

AB 3627 Finding Type

30000

Internal Control

2021-001 30000 – Financial Statement Preparation and Restatement (Material Weakness)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatements, whether due to error or fraud. This includes the posting of all material adjustments necessary to close the year and accurately reflect the activity of the District.

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.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and also through the review of available District records related to cash in banks.

Effect

During the course of our engagement, we identified material audit adjustments to the recorded account balances in the financial statements which, if not recorded, would have resulted in a material misstatement of the financial statements.

Cause

The adjustment in the Student Activity Fund of cash in banks was due to incorrect coding for beginning fund balance causing an error in reporting.

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.

Repeat Finding

No.

Corrective Action Plan/Views of Responsible Officials

The District agrees that having an internal control system over monitoring the year end accruals is an important part of the District's overall internal control process. The District has created processes to monitor and implement these controls.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.