



Annual Financial Report
June 30, 2019



MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Murrieta Valley Unified School District
Murrieta, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Murrieta Valley Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Murrieta Valley Unified School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 69, schedule of changes in the District's total OPEB liability and related ratios on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, 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 Murrieta Valley Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as referred to in the previous paragraph is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of the Murrieta Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Murrieta Valley Unified School 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 Murrieta Valley Unified School District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
September 27, 2019



Board of Education
Robin Crist
Kenneth C. Dickson
Paul F. Diffley III
Barbara J. Muir
Kris Thomasian

This section of Murrieta Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information from 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

Patrick Kelley
Superintendent

The Financial Statements

The financial statements presented herein include all of the activities of the Murrieta Valley Unified School District and its component units using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

Our Mission

*"To inspire
every student
to Think, to Learn,
to Achieve, to Care"*

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities separately. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Murrieta Valley Unified School District.

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MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- General Fund revenues totaled \$261,049,831 for 2018-2019. Fiscal year 2018-2019 was the sixth year of the Local Control Funding Formula (LCFF). LCFF funding was based on average daily attendance (ADA) equal to 22,112. Student enrollment increased by 130 students over prior year California Longitudinal Pupil Achievement Data System (CALPADS) to 23,251.
- General Fund expenditures totaled \$252,232,809 for 2018-2019. Expenditures included a 1 (one) percent one-time off schedule payment and a 1.5 (one and one-half) percent on schedule increase for all employees. In addition, expenditures included meeting the requirements of the District Local Control Accountability Plan.
- General Fund revenue and expenditures were increased by an additional \$9,732,193 which was directly related to Senate Bill 90. The on behalf payments related to these additional contributions have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$159,024,050 and \$177,157,036 for the fiscal years ended June 30, 2019 and 2018, respectively. Of this amount, \$(177,912,030) was unrestricted deficit at June 30, 2019. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 101,635,898	\$ 108,984,146
Capital assets	509,924,688	521,044,553
Total Assets	611,560,586	630,028,699
Deferred Outflows of Resources	85,005,080	86,465,417
Liabilities		
Current liabilities	9,421,747	12,987,663
Long-term obligations	247,540,824	257,022,254
Aggregate net pension liability	262,409,309	252,162,077
Total Liabilities	519,371,880	522,171,994
Deferred Inflows of Resources	18,169,736	17,165,086
Net Position		
Net investment in capital assets	297,430,358	310,143,501
Restricted	39,505,722	32,952,358
Unrestricted (Deficit)	(177,912,030)	(165,938,823)
Total Net Position	\$ 159,024,050	\$ 177,157,036

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 4,991,403	\$ 3,319,955
Operating grants and contributions	47,058,874	47,205,979
Capital grants and contributions	-	824
General revenues:		
Unrestricted Federal and State aid	154,327,525	139,330,709
Property taxes	74,109,364	72,683,377
Other general revenues	19,860,283	15,837,993
Total Revenues	<u>300,347,449</u>	<u>278,378,837</u>
Expenses		
Instruction-related	223,599,238	200,737,099
Pupil services	29,803,874	27,061,871
Administration	16,158,575	14,060,186
Plant services	33,395,471	20,820,728
Other	15,523,277	15,536,276
Total Expenses	<u>318,480,435</u>	<u>278,216,160</u>
Change in Net Position	<u>\$ (18,132,986)</u>	<u>\$ 162,677</u>

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$318,480,435. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$74,109,364 because the cost was paid by those who benefited from the programs \$4,991,403 or by other governments and organizations who subsidized certain programs with grants and contributions of \$47,058,874. We paid for the remaining "public benefit" portion of our governmental activities, \$154,327,525 in Federal and State aid, and \$19,860,283 in other revenues, like interest, and general entitlements.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 199,497,917	\$ 178,700,143	\$ 170,033,354	\$ 151,643,586
Instruction-related activities	24,101,321	22,036,956	20,929,135	19,261,140
Pupil services	29,803,874	27,061,871	18,822,488	16,864,082
Administration	16,158,575	14,060,186	14,900,250	8,842,848
Plant services	33,395,471	20,820,728	32,254,747	19,883,222
Ancillary services	3,194,471	2,852,382	3,094,526	2,764,036
Community services	2,205,199	2,158,203	1,316,207	1,634,995
Other governmental activities	10,123,607	10,525,691	5,079,451	6,795,493
Total	<u>\$ 318,480,435</u>	<u>\$ 278,216,160</u>	<u>\$ 266,430,158</u>	<u>\$ 227,689,402</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$94,264,441 (Table 4) in 2019, compared to \$98,122,215 in 2018.

Table 4

	Fund Balance	
	2019	2018
General Fund	\$ 49,436,329	\$ 40,276,506
Building Fund	3,981,081	9,116,229
Capital Facilities Fund	5,270,711	6,166,211
Capital Projects Fund for Blended Component Units	8,673,792	15,855,653
Bond Interest and Redemption Fund	22,343,432	21,432,460
Non-Major Governmental Funds	4,559,096	5,275,156
Total	<u>\$ 94,264,441</u>	<u>\$ 98,122,215</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$509,924,688 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment.

Table 5

	Governmental Activities	
	2019	2018
Land and construction in process	\$ 38,982,044	\$ 39,551,952
Buildings and improvements, net of depreciation	466,881,184	478,854,932
Equipment, net of depreciation	4,061,460	2,637,669
Total	<u>\$ 509,924,688</u>	<u>\$ 521,044,553</u>

We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had \$247,540,824 in outstanding long-term obligations. The long-term obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds	\$ 192,536,870	\$ 200,803,535
Certificates of participation	23,325,000	23,845,000
Premium on issuance	12,491,096	13,676,325
Discount on issuance	(310,046)	(324,139)
Capitalized lease obligations	402,713	119,825
Other	19,095,191	18,901,708
Total	<u>\$ 247,540,824</u>	<u>\$ 257,022,254</u>

Other obligations include compensated absences payable, supplemental employee retirement plan and OPEB obligation. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$262,409,309, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the District Board of Education and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula
 - a. Student enrollment projected the same as prior year equal to 23,251 students;
 - b. Funding based on estimated prior year P2 ADA equal to 22,118;
 - c. Cost of Living Adjustment equal to 3.26 percent;
2. Federal revenues maintained at prior year funding levels.
3. State revenues maintained at prior year funding levels.

The major changes to expenditure items specifically addressed in the budget are:

1. Employee step and column increases.
2. Staffing Ratios
 - a. K-3 Grades - Individual site Grade Span Adjustment requirements as a condition of Local Control Funding Formula add-ons;
 - b. 4-5 Grades 32:1;
 - c. 6-8 Grades 31:1;
 - d. 9-12 Grades 31:1.
3. Local Control Accountability Plan expenditures.
4. Increases to the State Teachers Retirements System Employer Rate.
5. Increases to the Public Employees Retirement System Employer Rate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Bill Olien, Deputy Superintendent at Murrieta Valley Unified School District, Murrieta, California, or e-mail at bolien@murrieta.k12.ca.us.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	\$ 86,067,645
Receivables	15,416,026
Prepaid expenditures	33,825
Stores inventories	118,402
Capital assets	
Land and construction in process	38,982,044
Other capital assets	651,958,780
Less: Accumulated depreciation	(181,016,136)
Total Capital Assets	<u>509,924,688</u>
Total Assets	<u>611,560,586</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	4,803,663
Deferred outflows of resources related to pensions	79,867,203
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	334,214
Total Deferred Outflows of Resources	<u>85,005,080</u>
LIABILITIES	
Accounts payable	6,299,519
Accrued Interest payable	2,050,290
Unearned revenue	1,071,938
Long-term obligations:	
Current portion of long-term obligations other than pension	15,353,927
Noncurrent portion of long-term obligations other than pension	232,186,897
Total Long-Term Obligations	<u>247,540,824</u>
Aggregate net pension liability	<u>262,409,309</u>
Total Liabilities	<u>519,371,880</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	18,169,736
Total Deferred Inflows of Resources	<u>18,169,736</u>
NET POSITION	
Net investment in capital assets	297,430,358
Restricted for:	
Debt service	20,293,142
Capital projects	8,313,820
Educational programs	8,507,081
Other activities	2,391,679
Unrestricted (Deficit)	(177,912,030)
Total Net Position	<u><u>\$ 159,024,050</u></u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 199,497,917	\$ 298,674	\$ 29,165,889	\$ (170,033,354)
Instruction-related activities:				
Supervision of instruction	6,720,157	32,527	2,153,132	(4,534,498)
Instructional library, media, and technology	1,542,951	2,681	315,533	(1,224,737)
School site administration	15,838,213	-	668,313	(15,169,900)
Pupil services:				
Home-to-school transportation	4,366,276	-	-	(4,366,276)
Food services	8,207,105	3,423,211	4,627,700	(156,194)
All other pupil services	17,230,493	-	2,930,475	(14,300,018)
Administration:				
Data processing	3,783,967	-	-	(3,783,967)
All other administration	12,374,608	241,812	1,016,513	(11,116,283)
Plant services	33,395,471	118,222	1,022,502	(32,254,747)
Ancillary services	3,194,471	-	99,945	(3,094,526)
Community services	2,205,199	328,936	560,056	(1,316,207)
Enterprise services	239,097	-	6,625	(232,472)
Interest on long-term obligations	9,825,712	-	-	(9,825,712)
Other outgo	58,798	545,340	4,492,191	4,978,733
Total Governmental Activities	\$ 318,480,435	\$ 4,991,403	\$ 47,058,874	(266,430,158)
General revenues and subventions:				
				54,932,053
				18,309,529
				867,782
				154,327,525
				977,702
				18,882,581
				<u>248,297,172</u>
				Change in Net Position
				(18,132,986)
				<u>177,157,036</u>
				<u>\$ 159,024,050</u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 41,785,636	\$ 4,426,308	\$ 2,938,704
Receivables	12,613,516	28,733	22,426
Due from other funds	613,449	-	4,732,266
Prepaid expenditures	33,825	-	-
Stores inventories	-	-	-
Total Assets	\$ 55,046,426	\$ 4,455,041	\$ 7,693,396
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,890,369	\$ 473,960	\$ 732,847
Due to other funds	5,146	-	1,689,838
Unearned revenue	714,582	-	-
Total Liabilities	5,610,097	473,960	2,422,685
Fund Balances:			
Nonspendable	48,825	-	-
Restricted	8,507,081	3,981,081	5,270,711
Committed	-	-	-
Assigned	17,418,056	-	-
Unassigned	23,462,367	-	-
Total Fund Balances	49,436,329	3,981,081	5,270,711
Total Liabilities and Fund Balances	\$ 55,046,426	\$ 4,455,041	\$ 7,693,396

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

Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 11,716,901	\$ 22,343,432	\$ 2,856,664	\$ 86,067,645
-	-	2,751,351	15,416,026
1,689,157	-	5,146	7,040,018
-	-	-	33,825
-	-	118,402	118,402
<u>\$ 13,406,058</u>	<u>\$ 22,343,432</u>	<u>\$ 5,731,563</u>	<u>\$ 108,675,916</u>

\$ -	\$ -	\$ 202,343	\$ 6,299,519
4,732,266	-	612,768	7,040,018
-	-	357,356	1,071,938
<u>4,732,266</u>	<u>-</u>	<u>1,172,467</u>	<u>14,411,475</u>

-	-	133,382	182,207
8,673,792	22,343,432	2,689,036	51,465,133
-	-	395,109	395,109
-	-	1,341,569	18,759,625
-	-	-	23,462,367
<u>8,673,792</u>	<u>22,343,432</u>	<u>4,559,096</u>	<u>94,264,441</u>

<u>\$ 13,406,058</u>	<u>\$ 22,343,432</u>	<u>\$ 5,731,563</u>	<u>\$ 108,675,916</u>
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MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds \$ 94,264,441

**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	\$ 690,940,824	
Accumulated depreciation is	<u>(181,016,136)</u>	
Net Capital Assets		509,924,688

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities. 4,803,663

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (2,050,290)

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:

Pension contributions subsequent to measurement date	25,950,991	
Net change in proportionate share of net pension liability	9,770,352	
Differences between projected and actual earnings on pension plan investments	2,023,165	
Differences between expected and actual experience in the measurement of the total pension liability	5,694,377	
Changes in assumptions	<u>36,428,318</u>	
Total Deferred Outflows of Resources Related to Pensions		79,867,203

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:

Net change in proportionate share of net pension liability	(8,397,197)	
Differences between projected and actual earnings on pension plan investments	(7,096,017)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(2,676,522)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (18,169,736)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. deferred outflows of resources related to OPEB at year-end consist of OPEB changes in assumptions.

334,214

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. \$ (262,409,309)

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

Long-term obligations at year-end consist of:

General obligation bonds	(157,730,916)	
Certificates of participation	(23,325,000)	
Unamortized premium on issuance	(12,491,096)	
Unamortized discounts on issuance	310,046	
Capital lease obligations	(402,713)	
Supplemental early retirement program	(1,507,233)	
Compensated absences (vacations)	(394,759)	
Net other postemployment benefits (OPEB) liability	(17,193,199)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	<u>(34,805,954)</u>	
Total Long-Term Obligations		<u>(247,540,824)</u>
Total Net Position - Governmental Activities		<u><u>\$ 159,024,050</u></u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 199,248,195	\$ -	\$ -
Federal sources	8,978,194	-	-
Other State sources	33,477,220	-	-
Other local sources	19,346,222	128,623	1,064,988
Total Revenues	261,049,831	128,623	1,064,988
EXPENDITURES			
Current			
Instruction	167,308,849	-	-
Instruction-related activities:			
Supervision of instruction	5,895,977	-	-
Instructional library, media, and technology	1,437,202	-	-
School site administration	14,523,274	-	-
Pupil services:			
Home-to-school transportation	4,047,595	-	-
Food services	158,744	-	-
All other pupil services	16,049,057	-	-
Administration:			
Data processing	3,598,785	-	-
All other administration	10,896,092	-	1,380,865
Plant services	22,590,944	2,675,840	1,122,149
Ancillary services	3,067,176	-	-
Community services	387,509	-	-
Other outgo	58,798	-	-
Enterprise services	13,108	-	-
Facility acquisition and construction	1,494,384	2,587,931	7,099,966
Debt service			
Principal	235,000	-	200,000
Interest and other	470,315	-	44,900
Total Expenditures	252,232,809	5,263,771	9,847,880
Excess (Deficiency) of Revenues			
Over Expenditures	8,817,022	(5,135,148)	(8,782,892)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	7,887,392
Other sources	342,801	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	342,801	-	7,887,392
NET CHANGE IN FUND BALANCES	9,159,823	(5,135,148)	(895,500)
Fund Balance - Beginning	40,276,506	9,116,229	6,166,211
Fund Balance - Ending	\$ 49,436,329	\$ 3,981,081	\$ 5,270,711

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

Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 199,248,195
-	-	5,505,102	14,483,296
-	131,993	2,429,514	36,038,727
237,483	18,464,840	7,721,070	46,963,226
<u>237,483</u>	<u>18,596,833</u>	<u>15,655,686</u>	<u>296,733,444</u>
-	-	2,218,368	169,527,217
-	-	386,858	6,282,835
-	-	-	1,437,202
-	-	154,896	14,678,170
-	-	-	4,047,595
-	-	7,761,016	7,919,760
-	-	52,101	16,101,158
-	-	-	3,598,785
-	-	607,189	12,884,146
489,117	-	2,417,668	29,295,718
-	-	-	3,067,176
-	-	1,718,340	2,105,849
-	-	-	58,798
-	-	218,068	231,176
-	-	12,865	11,195,146
-	11,969,999	144,914	12,549,913
-	5,715,862	679,463	6,910,540
<u>489,117</u>	<u>17,685,861</u>	<u>16,371,746</u>	<u>301,891,184</u>
<u>(251,634)</u>	<u>910,972</u>	<u>(716,060)</u>	<u>(5,157,740)</u>
-	-	2,618,952	10,506,344
957,165	-	-	1,299,966
<u>(7,887,392)</u>	<u>-</u>	<u>(2,618,952)</u>	<u>(10,506,344)</u>
<u>(6,930,227)</u>	<u>-</u>	<u>-</u>	<u>1,299,966</u>
<u>(7,181,861)</u>	<u>910,972</u>	<u>(716,060)</u>	<u>(3,857,774)</u>
<u>15,855,653</u>	<u>21,432,460</u>	<u>5,275,156</u>	<u>98,122,215</u>
<u>\$ 8,673,792</u>	<u>\$ 22,343,432</u>	<u>\$ 4,559,096</u>	<u>\$ 94,264,441</u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds \$ (3,857,774)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlay in the period.

Capital outlay	\$ 8,111,986	
Depreciation expense	(19,231,851)	
Net Expense Adjustment		(11,119,865)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Assets. (342,801)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used was more than amounts earned by \$1,507,233. Compensated absences (vacations) earned was more than amounts used by \$13,496. 1,493,737

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. (12,588,018)

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. (1,353,006)

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2019

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 11,970,000	
Certificates of participation	520,000	
Capital lease obligations	59,913	
	<u> </u>	
Combined adjustment		\$ 12,549,913

Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities. This amount is the net effect of the amortization of the related items:

Amortization of debt premium	1,185,229	
Amortization of debt discount	(14,093)	
Amortization of deferred amount on refunding	(458,415)	
	<u> </u>	
Combined adjustment		712,721

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation is decreased by \$75,442, and second, \$3,703,335 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

		<u>(3,627,893)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (18,132,986)</u></u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Agency Funds		
	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Agency Funds
ASSETS			
Deposits and investments	\$ 30,682,782	\$ 1,885,501	\$ 32,568,283
Receivables	-	47,956	47,956
Stores inventories	-	132,675	132,675
Other current assets	-	15,613	15,613
Total Assets	\$ 30,682,782	\$ 2,081,745	\$ 32,764,527
LIABILITIES			
Accounts payable	\$ -	\$ 474,180	\$ 474,180
Due to student groups	-	1,607,565	1,607,565
Due to bond holders	30,682,782	-	30,682,782
Total Liabilities	\$ 30,682,782	\$ 2,081,745	\$ 32,764,527

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Murrieta Valley Unified School District (the District) was organized on July 1, 1989, 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 currently operates eleven elementary schools, four middle schools, three high schools, one continuation school, one independent study school, and one adult school.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units discussed below are reported in the District's financial statements because of the significance of their relationship with the District. The component units, although legally separate entities, are reported in the financial statements as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Murrieta Valley Unified School District Educational Facilities Corporation (the Corporation) financial activity is presented in the financial statements as the Educational Facilities Corporation Capital Projects Fund and the Educational Facilities Corporation Debt Service Fund included the Governmental Funds. Certificates of participation issued by the Corporation are included in the long-term obligations of the Statement of Net Position. Individually prepared financial statements are not prepared for Educational Facilities Corporation.

The Murrieta Valley Unified School District Community Facilities Districts (CFDs) and Public Financing Authorities (PFAs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs and Special Tax Revenue Bonds issued for the PFAs are not included in the long-term obligations of the Statement of Net Position as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

Basis of Presentation - Fund Accounting

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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 approving a development 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).

Capital Projects Fund for Blended Component Units The Capital Projects Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 Projects Funds The Capital Project Funds are used to account for financial resources that are 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).

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 ID), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

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

Educational Facilities Corporation Debt Service Fund The Educational Facilities Corporation Debt Service Fund is used to account for certificate of participation debt payments

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for the accumulation of resources for the payment of the principal and interest on the Special Tax Bonds issued by the Community Facilities Districts as well as the associated student body activities (ASB).

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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 balance 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 statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met and recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Prepaid Expenditures

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

Stores Inventories

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

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 \$10,000. 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 expended 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 general 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 estimated fair market 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 which the employees who have accumulated leave are paid.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, 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 fund governmental financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities 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.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, and for pension related items, and for OPEB related items. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

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 deferred charges on refunding, for pension related items, and for OPEB related items. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability and changes in assumptions specific to OPEB.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total 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 additions to/deductions from the District Plan net position have been determined on the same basis as they are reported by the District Plan. For this purpose, The District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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 deputy superintendent, business services and facilities may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District 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 \$39,505,722 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. 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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

New Accounting Pronouncements

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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

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

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

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

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

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 86,067,645
Fiduciary funds	32,568,283
Total Deposits and Investments	<u>\$ 118,635,928</u>

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

Cash on hand and in banks	\$ 2,889,104
Cash in revolving	29,980
Investments	115,716,844
Total Deposits and Investments	<u>\$ 118,635,928</u>

Policies and Practices

The District is authorized under Governing Board Policy 3430 to make direct investments in the County Investment Pool; local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; commercial paper, and certificates of deposit placed with commercial banks and/or savings and loan companies.

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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	Not Applicable	20%	10%
Money Market Mutual Funds	Not Applicable	20%	10%
Mortgage Pass-Through Securities	Not Applicable	20%	None
County Pooled Investment Funds	Not Applicable	None	None
Local Agency Investment Fund (LAIF)	Not Applicable	None	None
Joint Powers Authority Pools	Not Applicable	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government.

Interest Rate Risk

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	Fair Value	Weighted Average Maturity in Days
Money Market - Treasury Cash Management	\$ 42,697,041	15
Riverside County Treasury Investment Pool	73,315,677	387
Total	<u>\$ 116,012,718</u>	

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	Minimum Legal Rating	Rating June 30, 2019	Fair Value
Money Market - Treasury Cash Management	Not Required	Aaa	\$ 42,697,041
Riverside County Treasury Investment Pool	Not Required	Aaa	73,315,677
Total			<u>\$ 116,012,718</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$1,668,253 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30,2019:

Investment Type	Fair Value	Fair Value Measurements	
		Using Level 1 Inputs	Uncategorized
Money Market - Treasury Cash Management	\$ 42,697,041	\$ 42,697,041	\$ -
Riverside County Treasury Investment Pool	73,315,677	-	73,315,677
Total	<u>\$ 116,012,718</u>	<u>\$ 42,697,041</u>	<u>\$ 73,315,677</u>

All assets have been valued using a market approach, with quoted market prices.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds
Federal Government				
Categorical aid	\$ 5,865,367	\$ -	\$ -	\$ 1,172,584
State Government				
Categorical aid	1,220,420	-	-	262,319
Lottery	1,104,590	-	-	-
Local Government				
Interest	271,967	4,937	22,426	11,315
Other Local Sources	1,667,924	23,796	-	1,305,133
Special Ed Master Plan	2,483,248	-	-	-
Total	<u>\$ 12,613,516</u>	<u>\$ 28,733</u>	<u>\$ 22,426</u>	<u>\$ 2,751,351</u>

	Total Governmental Activities	Fiduciary Funds
Federal Government		
Categorical aid	\$ 7,037,951	\$ -
State Government		
Categorical aid	1,482,739	-
Lottery	1,104,590	-
Local Government		
Interest	310,645	-
Other Local Sources	2,996,853	47,956
Special Ed Master Plan	2,483,248	-
Total	<u>\$ 15,416,026</u>	<u>\$ 47,956</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 36,034,082	\$ 7,850	\$ -	\$ 36,041,932
Construction in process	3,517,870	-	577,758	2,940,112
Total Capital Assets Not Being Depreciated	<u>39,551,952</u>	<u>7,850</u>	<u>577,758</u>	<u>38,982,044</u>
Capital Assets Being Depreciated				
Buildings and improvements	633,323,147	4,870,284	-	638,193,431
Furniture and equipment	9,953,739	3,811,610	-	13,765,349
Total Capital Assets Being Depreciated	<u>643,276,886</u>	<u>8,681,894</u>	<u>-</u>	<u>651,958,780</u>
Less Accumulated Depreciation				
Buildings and improvements	154,468,215	16,844,032	-	171,312,247
Furniture and equipment	7,316,070	2,387,819	-	9,703,889
Total Accumulated Depreciation	<u>161,784,285</u>	<u>19,231,851</u>	<u>-</u>	<u>181,016,136</u>
Governmental Activities Capital Assets, Net	<u>\$521,044,553</u>	<u>\$ (10,542,107)</u>	<u>\$ 577,758</u>	<u>\$ 509,924,688</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 18,562,867
Home-to-school transportation	62,349
Food services	42,181
All other administration	496,050
Plant services	68,404
Total Depreciation Expenses Governmental Activities	<u>\$ 19,231,851</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ 681	\$ -	\$ 612,768	\$ 613,449
Capital Facilities Fund	-	-	4,732,266	-	4,732,266
Capital Projects Fund for Blended Component Units	-	1,689,157	-	-	1,689,157
Non-Major Governmental Funds	5,146	-	-	-	5,146
Total	\$ 5,146	\$ 1,689,838	\$ 4,732,266	\$ 612,768	\$ 7,040,018

A balance of \$380,090 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect costs and reimbursement of costs.

A balance of \$215,295 is due to the General Fund from Child Development Non-Major Governmental Fund for indirect costs and reimbursement of costs.

The balance of \$1,689,157 is due to the Capital Facilities Fund from the Capital Projects Fund for Blended Component Units for Community Facility District funding.

The balance of \$4,732,266 is due to the Capital Projects Fund for Blended Component Units from the Capital Facilities Fund for reimbursement of costs.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Operating Transfers

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

Transfer To	Transfer From		Total
	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
Capital Facilities Fund	\$ 7,887,392	\$ 2,618,952	\$ 10,506,344

The Capital Projects Fund for Blended Component Unit transferred to the Capital Facilities Fund for reimbursement of cost.

\$ 7,887,392

The Educational Facilities Corporation Debt Service Non-Major Governmental Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of cost.

2,618,952
\$ 10,506,344

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds
Vendor payables	\$ 1,519,930	\$ 473,960	\$ 253,945	\$ 107,345
State principal apportionment	2,605,004	-	-	-
Salaries and benefits	450,247	-	17,736	94,998
Construction	315,188	-	461,166	-
Total	<u>\$ 4,890,369</u>	<u>\$ 473,960</u>	<u>\$ 732,847</u>	<u>\$ 202,343</u>

	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 2,355,180	\$ 474,180
State principal apportionment	2,605,004	-
Salaries and benefits	562,981	-
Construction	776,354	-
Total	<u>\$ 6,299,519</u>	<u>\$ 474,180</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 176,299	\$ 234,182	\$ 410,481
State categorical aid	29,169	94,299	123,468
Other local	509,114	28,875	537,989
Total	<u>\$ 714,582</u>	<u>\$ 357,356</u>	<u>\$ 1,071,938</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2019, is shown below:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General Obligation Bonds	\$ 200,803,535	\$ 3,703,335	\$ 11,970,000	\$ 192,536,870	\$ 13,175,000
Premium on Issuance	13,597,291	-	1,176,394	12,420,897	-
Certificates of Participation	23,845,000	-	520,000	23,325,000	555,000
Premium on Issuance	79,034	-	8,835	70,199	-
Discount on Issuance	(324,139)	-	(14,093)	(310,046)	-
Capital Leases	119,825	342,801	59,913	402,713	116,694
Compensated Absences	381,263	13,496	-	394,759	-
Supplemental Employee Retirement Plan	3,014,466	-	1,507,233	1,507,233	1,507,233
Total OPEB Liability	15,505,979	2,254,012	566,792	17,193,199	-
	<u>\$ 257,022,254</u>	<u>\$ 6,313,644</u>	<u>\$ 15,795,074</u>	<u>\$ 247,540,824</u>	<u>\$ 15,353,927</u>

Payments for bonds associated with General Obligation Bonds are made in the Bond Interest and Redemption Fund. Payments on Certificates of Participation, 2012 Refinancing Lease, and payments on the 2016 Refunding Certificates of Participation are made in the Educational Facilities Corporation Debt Service Fund. Payments for Capital Leases are made in the General Fund, Child Development Fund, and Capital Facilities Fund. Payments for Compensated Absences are typically liquidated in the General Fund and Non-Major Governmental Funds. Payments for the Supplemental Employee Retirement Plan are made in the General Fund. Payments for Total Other Postemployment Benefits (OPEB) liability are made in the General Fund. The District's outstanding general obligation bonds of \$192,536,870 contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment. The District's outstanding certificates of participation of \$23,325,000 are secured with collateral of an undeveloped lot zoned for commercial use.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding End of Year	Due in One Year
				Beginning of Year	Capital Appreciation	Redeemed		
9/1/98	9/1/23	4.05-5.3%	\$ 25,999,501	\$ 25,583,124	\$ 1,208,011	\$ 4,855,000	\$ 21,936,135	\$ 4,950,000
8/29/01	9/1/23	2.25-5.31%	11,499,326	3,091,022	197,517	-	3,288,539	760,000
5/29/03	9/1/27	2.0-5.12%	11,884,284	442,342	46,048	-	488,390	-
9/10/08	9/1/33	3.5-5.7%	24,996,844	36,695,982	2,039,321	265,000	38,470,303	280,000
12/15/11	9/1/18	1.95%	4,690,000	370,000	-	370,000	-	-
7/31/12	9/1/26	2.0-3.375%	11,425,000	8,250,000	-	770,000	7,480,000	800,000
6/20/13	9/1/29	2.0-3.50%	15,640,000	13,280,000	-	915,000	12,365,000	935,000
7/30/15	9/1/44	1.5-5.11%	38,401,818	34,441,065	212,438	1,880,000	32,773,503	880,000
7/30/15	9/1/26	2.0-5.0%	40,090,000	39,240,000	-	-	39,240,000	3,140,000
4/27/16	9/1/30	2.0-3.5%	32,945,000	32,655,000	-	2,510,000	30,145,000	-
6/22/17	9/1/46	2.0-4.0%	6,755,000	6,755,000	-	405,000	6,350,000	1,430,000
				<u>\$ 200,803,535</u>	<u>\$ 3,703,335</u>	<u>\$ 11,970,000</u>	<u>\$ 192,536,870</u>	<u>\$ 13,175,000</u>

Debt Service Requirements to Maturity

Fiscal Year	Principal			Total
	Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	
2020	\$ 13,046,169	\$ 128,831	\$ 5,461,819	\$ 18,636,819
2021	13,527,108	427,892	5,211,589	19,166,589
2022	14,096,272	753,728	4,842,414	19,692,414
2023	13,032,901	1,092,099	4,390,619	18,515,619
2024	13,471,915	1,303,085	4,007,744	18,782,744
2025-2029	62,986,307	7,168,693	13,505,352	83,660,352
2030-2034	44,067,888	26,217,112	3,856,072	74,141,072
2035-2039	3,218,714	3,861,286	2,901,172	9,981,172
2040-2044	11,264,596	1,125,404	2,071,988	14,461,988
2045-2047	3,825,000	-	96,288	3,921,288
Total	<u>\$ 192,536,870</u>	<u>\$ 42,078,130</u>	<u>\$ 46,345,057</u>	<u>\$ 280,960,057</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Obligation Bonds

1998 General Obligation Bonds, Series A

In September 1998, the District issued \$25,999,501 in current interest bonds of the General Obligation Bonds, Election of 1998, Series A. The bonds mature on September 1, 2023, with interest yields ranging from 4.05 to 5.30 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools.

\$ 21,936,135

1998 General Obligation Bonds, Series B

In August 2001, the District issued \$10,410,000 in current interest bonds, \$1,089,326 in capital appreciation bonds of the 1998 General Obligation Bonds, Series B. The capital appreciation bonds accrete interest to a maturity value of \$3,810,000. The bonds mature on September 1, 2018 and September 1, 2023, respectively, with interest yields ranging from 2.25 to 5.31 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools.

3,288,539

2002 General Obligation Bonds, Series A

In May 2003, the District issued \$11,785,000 in current interest bonds, \$99,284 in capital appreciation bonds of the 2002 General Obligation Bonds, Series A. The capital appreciation bonds accrete interest to a maturity value of \$1,160,000. The bonds mature on September 1, 2021 and September 1, 2027, respectively, with interest yields ranging from 2.00 to 5.12 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools.

488,390

2006 General Obligation Bonds, Series 2008

In September 2008, the District issued \$4,075,000 in current interest bonds, \$20,921,844 in capital appreciation bonds of the 2006 General Obligation Bonds, Series 2008. The capital appreciation bonds accrete interest to a maturity value of \$70,070,000. The bonds mature on September 1, 2014 and September 1, 2033, respectively, with interest yields ranging from 3.50 to 5.70 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools.

38,470,303

General Obligation Refunding Bonds, 2012 Series

In July 2012, the District issued \$11,425,000 of the 2012 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2026, with interest yields ranging from 2.0 to 3.375 percent. The proceeds from the sale of the bonds were used to refund the current interest bonds related to the 2002 Series A.

7,480,000

General Obligation Refunding Bonds, 2013 Series

In June 2013, the District issued \$15,640,000 of the 2013 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2029, with interest yields ranging from 2.0 to 3.5 percent. The proceeds from the sale of the bonds were used to refund the current interest bonds related to the 2002 Series B.

12,365,000

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2006 General Obligation Bonds, Series 2008

In July 2015, the District issued \$34,685,000 in current interest bonds, \$3,716,818 in capital appreciation bonds of the 2006 General Obligation Bonds, Series 2008. The capital appreciation bonds accrete interest to a maturity value of \$10,355,000. The bonds mature on September 1, 2044 and September 1, 2039, respectively, with interest yields ranging from 1.50 to 5.11 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools.

32,773,503

General Obligation Refunding Bonds, 2015 Series

In July 2015, the District issued \$40,090,000 of the 2015 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2026, with interest yields ranging from 2.0 to 5.0 percent. The proceeds from the sale of the bonds were used to refund a portion of bonds related to the 2006 Series 2007 Bonds. The refunding resulted in a cumulative cash flow saving of \$2,935,739 over the life of the new debt and an economic gain of \$2,863,856 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.51 percent.

39,240,000

General Obligation Refunding Bonds, 2016 Series

In April 2016, the District issued \$32,945,000 of the 2016 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2030, with interest yields ranging from 2.0 to 3.5 percent. The proceeds from the sale of the bonds were used to refund a portion of bonds related to the 2006 Series 2007 Bonds.

30,145,000

2014 General Obligation Bonds, Series 2017

In June 2017, the District issued \$6,755,000 of the 2017 Series, 2014 General Obligation Bonds. The bonds mature on September 1, 2046, with interest yields ranging from 2.0 to 4.0 percent. The proceeds from the sale of the bonds were used to finance the new construction and to improve and repair existing schools.

6,350,000

Subtotal bonds outstanding

192,536,870

Premium on 2012 Refunding bonds
Premium on 2013 Refunding bonds
Premium on 2014 Series 2015 bonds
Premium on 2015 Refunding bonds
Premium on 2016 Refunding bonds
Premium on 2014 Series 2017 bonds

405,800
415,052
1,286,996
4,637,050
5,377,911
298,088

Subtotal premium on bonds

12,420,897

\$ 204,957,767

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Certificates of Participation

Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding Beginning of Year	Issued	Redeemed	Certificates Outstanding End of Year	Due in One Year
5/1/12	8/1/27	3.20%	\$ 7,495,000	\$ 5,105,000	\$ -	\$ 435,000	\$ 4,670,000	\$ 450,000
11/10/16	5/1/41	2.00-4.00%	19,405,000	18,740,000	-	85,000	18,655,000	105,000
				<u>\$ 23,845,000</u>	<u>\$ -</u>	<u>\$ 520,000</u>	<u>\$ 23,325,000</u>	<u>\$ 555,000</u>

Debt Service Requirement

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 555,000	\$ 835,083	\$ 1,390,083
2021	575,000	817,286	1,392,286
2022	585,000	798,784	1,383,784
2023	605,000	777,966	1,382,966
2024	645,000	756,429	1,401,429
2025-2029	3,200,000	3,395,703	6,595,703
2030-2034	2,680,000	3,048,144	5,728,144
2035-2039	10,355,000	2,062,388	12,417,388
2040-2041	4,125,000	231,000	4,356,000
Total	<u>\$ 23,325,000</u>	<u>\$ 12,722,783</u>	<u>\$ 36,047,783</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Certificates of Participation

2012 Refinancing Lease

On May 1, 2012, the District issued \$7,495,000 in 2012 Refinancing Lease. The Certificates of Participation mature on August 1, 2027, with interest rate of 3.20 percent. The District applied a portion of the net proceeds of sale of the COPs to affect the refunding of the outstanding balances of the 2001 COP financings.

\$ 4,670,000

Refunding Certificates of Participation, Series 2016

On November 10, 2016, the District issued \$19,405,000 of the Refunding Certificates of Participation, Series 2016. The bonds mature on May 1, 2041, with an interest yield ranging from 2.00 to 4.00 percent. The proceeds from the sale of the bonds were used to defease the outstanding 2009 School Facilities Bridge Funding Program certificates of participation and finance costs of replacing, upgrading, and installing technology infrastructure projects.

18,655,000

Subtotal bonds outstanding

23,325,000

Premium on 2012 refinancing lease bonds

70,199

Discount on 2017 refunding bonds

(310,046)

\$ 23,085,153

Capital Leases

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

Balance, July 1, 2018

\$ 119,825

Additions

354,556

Payments

(59,914)

Balance, June 30, 2019

\$ 414,467

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The capital leases have minimum lease payments as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2020	\$ 178,097
2021	118,185
2022	118,185
Total	<u>414,467</u>
Less: Amount Representing Interest	11,754
Present Value of Minimum Lease Payments	<u>\$ 402,713</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2019, include the following:

Equipment	\$ 582,453
Less: Accumulated depreciation	<u>(159,651)</u>
Total	<u>\$ 422,802</u>

Amortization of leased buildings and equipment under capital assets is included with depreciation expense.

Community Facilities Districts (CFDs)

None of the CFD bonds described below constitute indebtedness of the District payable from its general funds, and the District is in no way obligated for their repayment except to the extent of any special taxes collected and pledged for their repayment. The District is only acting on behalf of the bondholders in collecting the special taxes levied to repay the bonds. These are included in the footnote section of the financials since they are considered a blended component unit of the district as addressed in Note 10.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Public Finance Authority		
2013 Series A	\$	9,340,000
2013 Series B		6,380,000
2014 Series A		16,300,000
2016 Series A		52,815,000
Special Tax Refunding Bonds		
CFD 2006-1 (Area A)		6,815,000
CFD 2006-1 (Area B)		9,810,000
CFD 2014-3		2,345,000
Special Tax Bonds		
CFD 2014-1		5,065,000
CFD 2014-2		1,720,000
CFD 2006-1 (Area C)		5,000,000
Total	\$	<u>115,590,000</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2019, amounted to \$394,759

Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401 A of the Internal Revenue Code. Eligibility requirements are that the employees attain age 50 with at least 10 years of service with the District. The retirees receive annual benefit payments ranging from \$1,250 to \$3,000 for a term of five years. This benefit is paid out annually to the retiree in equal installments. Currently, there are 140 employees participating in the plan and the District's obligation to those retirees as of June 30, 2019, is \$1,507,233.

Future payments are as follows:

<u>Fiscal Year</u>	<u>Annual Payment</u>
2020	<u>\$ 1,507,233</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Total Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported Total OPEB. liability, deferred outflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Total OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 17,193,199	\$ 334,214	\$ 1,919,798

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 Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	80
Active employees	1,339
	<u>1,419</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.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed \$566,792 to the Plan, of which \$566,792 was used for current premiums

Total OPEB Liability of the District

Actuarial assumptions

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.50 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	4.00 percent for 2019

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

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

The actual assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Discount rate

The discount rate used to measure the total OPEB liability was 3.5 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 15,505,979
Service cost	1,331,568
Interest	556,093
Changes of assumptions or other inputs	366,351
Benefit payments	(566,792)
Net change in total OPEB liability	1,687,220
Balance at June 30, 2019	\$ 17,193,199

Sensitivity of the total OPEB liability to changes in the discount rate

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The following presents what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-1 percent higher or lower than the current rate.

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	\$ 18,359,525
Current discount rate (3.5%)	17,193,199
1% increase (4.5%)	16,114,944

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower or higher than the current healthcare costs trend rates.

Health Care Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	\$ 16,093,587
Current discount rate (4.0%)	17,193,199
1% increase (5.0%)	18,062,214

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,919,798. At June 30, 2019, the District reported deferred inflows of resources for changes in assumptions of \$334,214.

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

Year Ended June 30,	Deferred (Inflows) of Resources
2020	\$ (32,137)
2021	(32,137)
2022	(32,137)
2023	(32,137)
2024	(32,137)
Thereafter	(173,529)
	<u>\$ (334,214)</u>

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facilities Districts and the Public Financing

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Authorities, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bond holders, and may initiate foreclosure proceedings. Special assessment debt of \$115,590,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Assessment Bonds	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year	CFD
Community Facilities Districts						
2016	\$ 5,185,000	5,185,000	\$ -	\$ 120,000	\$ 5,065,000	2014-1
2016	1,805,000	1,760,000	-	40,000	1,720,000	2014-2
2017	5,000,000	5,000,000	-	-	5,000,000	2006-1 (Area C)
2018	6,975,000	6,975,000	-	160,000	6,815,000	2006-1 (Area A)
2018	10,050,000	10,050,000	-	240,000	9,810,000	2006-1 (Area B)
2019	2,345,000	-	2,345,000	-	2,345,000	2014-3
Public Financing Authority						
2013	11,170,000	9,665,000	-	325,000	9,340,000	2013 Series A
2013	7,370,000	6,595,000	-	215,000	6,380,000	2013 Series B
2014	20,880,000	17,300,000	-	1,000,000	16,300,000	2014 Series A
2016	60,040,000	54,995,000	-	2,180,000	52,815,000	2016 Series A
		<u>\$ 117,525,000</u>	<u>\$ 2,345,000</u>	<u>\$ 4,280,000</u>	<u>\$ 115,590,000</u>	

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Combined Special Tax Assessment Bonds

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2020	\$ 4,560,000	\$ 4,920,822	\$ 9,480,822
2021	4,690,000	4,751,167	9,441,167
2022	4,880,000	4,568,505	9,448,505
2023	5,055,000	4,362,329	9,417,329
2024	5,165,000	4,133,706	9,298,706
2025-2029	28,610,000	16,888,309	45,498,309
2030-2034	30,525,000	9,623,478	40,148,478
2035-2039	20,330,000	3,749,572	24,079,572
2040-2045	7,230,000	1,571,939	8,801,939
2046-2049	4,545,000	316,610	4,861,610
Total	<u>\$ 115,590,000</u>	<u>\$ 54,886,437</u>	<u>\$ 170,476,437</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund
Nonspendable:			
Revolving cash	\$ 15,000	\$ -	\$ -
Stores inventories	-	-	-
Prepaid expenditures	33,825	-	-
Total	<u>48,825</u>	<u>-</u>	<u>-</u>
Nonspendable	<u>48,825</u>	<u>-</u>	<u>-</u>
Restricted			
Legally restricted programs	8,507,081	-	-
Capital projects	-	3,981,081	5,270,711
Debt service	-	-	-
Total Restricted	<u>8,507,081</u>	<u>3,981,081</u>	<u>5,270,711</u>
Committed			
Adult education program	<u>-</u>	<u>-</u>	<u>-</u>
Assigned			
Medi-Cal LEA audit repayment	1,764,622	-	-
Medi-Cal administrative activities	947,526	-	-
1516 Outstanding mandates one-time funds	329,443	-	-
1617 Outstanding mandates one-time funds	4,662,117	-	-
1718 Outstanding mandates one-time funds	3,223,814	-	-
1819 Outstanding mandates one-time funds	3,860,570	-	-
Donations	704,331	-	-
Saturday School Reimbursement Program	41,408	-	-
Site safety awards	31,526	-	-
Green team schools	37,198	-	-
Site facility use agreement athletics	48,100	-	-
Local grants	17,591	-	-
Non resident student fees	500,892	-	-
Transportation bus replacement	270,676	-	-
LCAP site supplemental allocations	978,242	-	-
District-wide technology infrastructure	-	-	-
Total Assigned	<u>17,418,056</u>	<u>-</u>	<u>-</u>
Unassigned			
Economic uncertainties	7,264,735	-	-
Remaining unassigned	16,197,632	-	-
Total Unassigned	<u>23,462,367</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 49,436,329</u>	<u>\$ 3,981,081</u>	<u>\$ 5,270,711</u>

Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 14,980	\$ 29,980
-	-	118,402	118,402
-	-	-	33,825
-	-	133,382	182,207
-	-	2,391,679	10,898,760
8,673,792	-	-	17,925,584
-	22,343,432	297,357	22,640,789
8,673,792	22,343,432	2,689,036	51,465,133
-	-	395,109	395,109
-	-	-	1,764,622
-	-	-	947,526
-	-	-	329,443
-	-	-	4,662,117
-	-	-	3,223,814
-	-	-	3,860,570
-	-	-	704,331
-	-	-	41,408
-	-	-	31,526
-	-	-	37,198
-	-	-	48,100
-	-	-	17,591
-	-	-	500,892
-	-	-	270,676
-	-	-	978,242
-	-	1,341,569	1,341,569
-	-	1,341,569	18,759,625
-	-	-	7,264,735
-	-	-	16,197,632
-	-	-	23,462,367
\$ 8,673,792	\$ 22,343,432	\$ 4,559,096	\$ 94,264,441

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 - RISK MANAGEMENT

The District is self-insured through a pooled joint powers authority (JPA) mechanism for Property damage with coverage up to a maximum of \$250 million and Liability coverage up to a maximum of \$50 million. The District is similarly self-insured through a pooled workers compensation JPA mechanism with coverage up to \$155 million. The District makes available health insurance benefits to all staff through a pooled JPA mechanism, contributing up to an annual cap per year per employee toward those benefits with the employee paying the balance, if any.

NOTE 13 - 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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2017. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 184,263,020	\$ 58,355,100	\$ 16,581,613	\$ 23,166,071
CalPERS	78,146,289	21,512,103	1,588,123	15,372,938
Total	<u>\$ 262,409,309</u>	<u>\$ 79,867,203</u>	<u>\$ 18,169,736</u>	<u>\$ 38,539,009</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$18,526,996.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 184,263,020
State's proportionate share of the net pension liability associated with the District	105,499,197
Total	<u>\$ 289,762,217</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.2005 percent and 0.1941 percent, resulting in a net increase in the proportionate share of 0.0064 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$23,166,071. In addition, the District recognized pension expense and revenue of \$12,393,777 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 18,526,996	\$ -
Net change in proportionate share of net pension liability	10,630,956	6,809,800
Differences between projected and actual earnings on pension plan investments	-	7,095,291
Differences between expected and actual experience in the measurement of the total pension liability	571,392	2,676,522
Changes of assumptions	28,625,756	-
Total	<u>\$ 58,355,100</u>	<u>\$ 16,581,613</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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,540,587
2021	(1,117,892)
2022	(5,952,673)
2023	(1,565,313)
Total	<u>\$ (7,095,291)</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the expected remaining service life (EARSL) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 6,327,567
2021	6,327,567
2022	6,327,564
2023	4,597,413
2024	6,070,447
Thereafter	691,224
Total	<u>\$ 30,341,782</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Wage growth 3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 269,923,762
Current discount rate (7.10%)	184,263,020
1% increase (8.10%)	113,241,953

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions for funding, but not accounting purposes, and membership information is listed in the June 30, 2017 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. 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, 2019, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are presented above and the total District contributions were \$7,423,995.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$78,146,289. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.2931 percent and 0.3042 percent, resulting in a net decrease in the proportionate share of 0.0111 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$15,372,938. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,423,995	
Net change in proportionate share of net pension liability	521,587	1,588,123
Difference between projected and actual earnings on pension plan investments	640,974	-
Differences between expected and actual experience in the measurement of the total pension liability	5,122,985	-
Changes of assumptions	7,802,562	-
Total	<u>\$ 21,512,103</u>	<u>\$ 1,588,123</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:

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,331,366
2021	557,526
2022	(1,786,665)
2023	(461,253)
Total	<u>\$ 640,974</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the expected average remaining service life (EARSL) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 5,554,134
2021	5,146,826
2022	1,158,051
Total	<u>\$ 11,859,011</u>

Actuarial Methods and Assumptions

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

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 estate	13%	4.93%
Liquidity	2%	-0.92%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 113,777,259
Current discount rate (7.15%)	78,146,289
1% increase (8.15%)	48,585,298

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS and CalPERS in the amount of \$19,469,130 (9.828 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on-behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various 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 on the overall financial position of the District at June 30, 2019.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Construction Commitments

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

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
MMHS New Classroom	\$ 2,548	2020
VMHS HVAC Replacement	291,800	2020
WSMS HVAC Replacement	150,208	2020
TMS HVAC Replacement	128,402	2020
TES HVAC Replacement	94,761	2020
MCA CTE Building	98,324	2020
TMS New Classroom	114,840	2020
MES New Classroom	83,586	2020
CCES New Classroom	162,087	2020
MMHS Mesa Field Project	35,325	2020
MVHS Portable Restroom Building	17,108	2020
District-wide Borrego Solar	2,990,390	2020
MVHS New Bathroom	52,071	2020
District-wide Roofing	70,000	2020
District-wide Painting	8,640	2020
MMHS Pool	7,150	2020
District-wide Lighting Retrofit	1,955,303	2020
	\$ 6,262,543	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Insurance Authority (RSIA), Riverside Schools Risk Management Authority (RSRMA), and the Riverside Employer/Employee Partnership (REEP) public entity risk pools. The District pays an annual premium to each entity for its property liability, workers' compensation, and dental and life insurance coverage. The relationships between the District, the pools, and the JPA's are such that the JPA's are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2019, the District made payments of \$1,701,286, \$4,152,794, and \$23,388,3785 to RSIA, RSRMA, and REEP, respectively, for its property liability, workers' compensation, and health coverage.



REQUIRED SUPPLEMENTARY INFORMATION

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 197,047,421	\$ 199,239,682	\$ 199,248,195	\$ 8,513
Federal sources	7,841,206	8,491,216	8,978,194	486,978
Other State sources	24,595,813	23,373,245	33,477,220	10,103,975
Other local sources	17,196,584	18,443,180	19,346,222	903,042
Total Revenues	246,681,024	249,547,323	261,049,831	11,502,508
EXPENDITURES				
Current				
Certificated salaries	111,868,716	115,287,722	114,802,023	485,699
Classified salaries	39,032,625	39,110,045	39,102,890	7,155
Employee benefits	58,800,564	58,760,863	65,327,845	(6,566,982)
Books and supplies	7,414,853	9,384,791	8,948,441	436,350
Services and operating expenditures	19,285,875	19,957,015	19,742,429	214,586
Capital outlay	2,479,480	1,536,112	1,502,748	33,364
Other outgo	(468,951)	(549,413)	2,443,919	(2,993,332)
Debt service				
Principal	235,000	235,000	235,000	-
Interest	127,452	127,514	127,514	-
Total Expenditures	238,775,614	243,849,649	252,232,809	(8,383,160)
Excess (Deficiency) of Revenues Over Expenditures	7,905,410	5,697,674	8,817,022	3,119,348
OTHER FINANCING SOURCES				
Other sources	-	-	342,801	342,801
NET CHANGE IN FUND BALANCES				
Fund Balance - Beginning	40,276,506	40,276,506	40,276,506	-
Fund Balance - Ending	\$ 48,181,916	\$ 45,974,180	\$ 49,436,329	\$ 3,462,149

1 On behalf payments of \$19,469,130 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 1,331,568	\$ 1,295,930
Interest	556,093	553,258
Changes of assumptions	366,351	-
Benefit payments	<u>(566,792)</u>	<u>(544,992)</u>
Net change in total OPEB liability	1,687,220	1,304,196
Total OPEB liability - beginning	<u>15,505,979</u>	<u>14,201,783</u>
Total OPEB liability - ending (a)	<u><u>\$ 17,193,199</u></u>	<u><u>\$ 15,505,979</u></u>
Covered-employee payroll	\$ 125,940,901	\$ 119,375,726
District's total OPEB liability as a percentage of covered-employee payroll	13.65%	12.99%

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

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.2005%</u>	<u>0.1941%</u>
District's proportionate share of the net pension liability	\$ 184,263,020	\$ 179,531,862
State's proportionate share of the net pension liability associated with the District	<u>105,499,197</u>	<u>106,209,533</u>
Total	<u>\$ 289,762,217</u>	<u>\$ 285,741,395</u>
District's covered - employee payroll	<u>\$ 108,376,833</u>	<u>\$ 106,363,744</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>170.02%</u>	<u>168.79%</u>
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.2931%</u>	<u>0.3042%</u>
District's proportionate share of the net pension liability	<u>\$ 78,146,289</u>	<u>\$ 72,630,215</u>
District's covered - employee payroll	<u>\$ 39,576,170</u>	<u>\$ 37,881,264</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>197.46%</u>	<u>191.73%</u>
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.1983%</u>	<u>0.2090%</u>	<u>0.1888%</u>
<u>\$ 160,424,204</u>	<u>\$ 140,719,047</u>	<u>\$ 110,308,530</u>
<u>91,326,638</u>	<u>74,424,863</u>	<u>66,609,053</u>
<u><u>\$ 251,750,842</u></u>	<u><u>\$ 215,143,910</u></u>	<u><u>\$ 176,917,583</u></u>
<u>\$ 99,627,036</u>	<u>\$ 96,586,757</u>	<u>\$ 103,962,473</u>
<u>161.02%</u>	<u>145.69%</u>	<u>106.10%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.2995%</u>	<u>0.2956%</u>	<u>0.2894%</u>
<u>\$ 59,154,321</u>	<u>\$ 43,578,380</u>	<u>\$ 32,854,704</u>
<u>\$ 35,991,779</u>	<u>\$ 33,272,135</u>	<u>\$ 34,228,832</u>
<u>164.36%</u>	<u>130.98%</u>	<u>95.99%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 18,526,996	\$ 15,638,777
Contributions in relation to the contractually required contribution	<u>18,526,996</u>	<u>15,638,777</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 113,802,187</u>	<u>\$ 108,376,833</u>
Contributions as a percentage of covered - employee payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 7,423,995	\$ 6,146,575
Contributions in relation to the contractually required contribution	<u>7,423,995</u>	<u>6,146,575</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 41,102,840</u>	<u>\$ 39,576,170</u>
Contributions as a percentage of covered - employee payroll	<u>18.06%</u>	<u>15.53%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 13,380,559	\$ 10,689,981	\$ 8,576,904
<u>13,380,559</u>	<u>10,689,981</u>	<u>8,576,904</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 106,363,744</u>	<u>\$ 99,627,036</u>	<u>\$ 96,586,757</u>
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 5,260,950	\$ 4,263,946	\$ 3,916,463
<u>5,260,950</u>	<u>4,263,946</u>	<u>3,916,463</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 37,881,264</u>	<u>35,991,779</u>	<u>\$ 33,272,135</u>
<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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.

At June 30, 2019, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 243,849,649	\$ 251,890,008	\$ 8,040,359

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.

Change in Benefit Terms – There were no changes in benefit terms since the previous valuation for other postemployment benefits

Change in Assumptions – The plan discount rate assumption was changed from 3.8 percent to 3.5 percent since the previous valuation.

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plan from the previous valuation.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

Schedule of District Contributions

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



SUPPLEMENTARY INFORMATION

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States			
Adult Basic Education and ELA	84.002A	14508	\$ 56,446
Adult Secondary Education	84.002	13978	41,800
Elementary and Secondary Education Act			
Title I, Part A	84.010	14329	1,757,637
Title II, Part A	84.367	14341	456,236
Title III, Part A	84.365	14346	28,468
Special Education Cluster			
Local Assistance - Basic	84.027	13379	4,759,066
Local Assistance - Private Schools ISPs	84.027	10115	1,983
Preschool Grants	84.173	13430	95,962
Mental Health Allocation Plan	84.027A	15197	436,823
Preschool Staff Development	84.173A	13431	961
Vocational Educational Grant			
Carl Perkins	84.048	14894	113,671
Total U.S. Department of Education			<u>7,749,053</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
School Breakfast Basic	10.553	13390	\$ 14,629
School Breakfast Needy	10.553	13526	992,785
National School Lunch	10.555	13523	3,048,920
Meals Supplements	10.555	13396	18,662
Food Distribution	10.555	13524	457,378
Forest Reserve Funds	10.665	10044	13,934
Total U.S. Department of Agriculture			<u>4,546,308</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)			
Passed through California HHS:			
Child Care Mandetory and Matching Funds of the Child Card and Development Fund			
	93.596	13609	874,482
Medical Assistance Program	93.778	10060	1,313,453
Total U.S. Department of Health and Human Services			<u>2,187,935</u>
Total Expenditures of Federal Awards			<u>\$ 14,483,296</u>

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The Murrieta Valley Unified School District was organized on July 1, 1989, and consists of an area comprising approximately 172 square miles. The District operates eleven elementary schools, four middle schools, three high schools, one continuation school, one independent study school, and one adult school.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Paul F. Diffley III	President	November 2020
Linda Lunn	Clerk	November 2020
Oscar Rivas	Member	November 2022
Kris Thomasian	Member	November 2022
Ken Dickson	Member	November 2020

ADMINISTRATION

Patrick Kelley	Superintendent
William Olien	Deputy Superintendent
Darren Daniel	Assistant Superintendent, Human Resources
Mary Walters	Assistant Superintendent, Educational Services
Stacy Matusek	Chief Financial Officer

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,778.25	5,793.79
Fourth through sixth	4,681.02	4,685.31
Seventh and eighth	3,617.06	3,615.16
Ninth through twelfth	8,008.90	7,966.18
Total Regular ADA	<u>22,085.23</u>	<u>22,060.44</u>
Extended Year Special Education		
Transitional kindergarten through third	3.43	3.43
Fourth through sixth	2.34	2.34
Seventh and eighth	0.95	0.95
Ninth through twelfth	2.03	2.03
Total Extended Year Special Education	<u>8.75</u>	<u>8.75</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	4.97	5.88
Seventh and eighth	3.81	4.04
Ninth through twelfth	7.98	7.74
Total Special Education, Nonpublic, Nonsectarian Schools	<u>16.76</u>	<u>17.66</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.21	0.21
Fourth through sixth	0.07	0.07
Ninth through twelfth	1.34	1.60
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.62</u>	<u>1.88</u>
Total ADA	<u><u>22,112.36</u></u>	<u><u>22,088.73</u></u>

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,420	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,775	180	N/A	Complied
Grade 2		52,775	180	N/A	Complied
Grade 3		52,775	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,575	180	N/A	Complied
Grade 5		54,575	180	N/A	Complied
Grade 6		54,320	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,320	180	N/A	Complied
Grade 8		54,320	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,775	180	N/A	Complied
Grade 10		65,775	180	N/A	Complied
Grade 11		65,775	180	N/A	Complied
Grade 12		65,775	180	N/A	Complied

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	(Budget)			
	2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 250,407,208	\$ 261,049,831	\$ 233,619,841	\$ 224,881,509
Other sources	-	342,801	-	-
Total Revenues and Other Sources	<u>250,407,208</u>	<u>261,392,632</u>	<u>233,619,841</u>	<u>224,881,509</u>
Expenditures	<u>261,376,028</u>	<u>252,232,809</u>	<u>230,139,092</u>	<u>220,629,628</u>
Total Expenditures and Other Uses	<u>261,376,028</u>	<u>252,232,809</u>	<u>230,139,092</u>	<u>220,629,628</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (10,968,820)</u>	<u>\$ 9,159,823</u>	<u>\$ 3,480,749</u>	<u>\$ 4,251,881</u>
ENDING FUND BALANCE	<u>\$ 38,467,509</u>	<u>\$ 49,436,329</u>	<u>\$ 40,276,506</u>	<u>\$ 36,795,757</u>
AVAILABLE RESERVES^{2,3}	<u>\$ 19,855,533</u>	<u>\$ 23,462,367</u>	<u>\$ 18,252,242</u>	<u>\$ 18,474,863</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>7.60%</u>	<u>5.44%</u>	<u>7.93%</u>	<u>8.37%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 247,540,824</u>	<u>\$ 257,022,254</u>	<u>\$ 259,105,944</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>22,118</u>	<u>22,112</u>	<u>22,036</u>	<u>21,882</u>

The General Fund balance has increased by \$12,640,572 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$10,968,820 (22.19 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have decreased by \$11,565,120 over the past two years.

Average daily attendance has increased by 230 over the past two years. Additional growth of six ADA is anticipated during fiscal year 2019-2020.

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

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ Additional on behalf payments related to SB90 (Chapter 33, Statutes of 2019) of \$9,732,193 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 249,770	\$ 633,905	\$ 1,409,002
Receivables	190,024	357,660	1,110,646
Due from other funds	-	104	5,042
Stores inventories	-	-	118,402
Total Assets	\$ 439,794	\$ 991,669	\$ 2,643,092
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 12,283	\$ 103,787	\$ 68,191
Due to other funds	17,383	215,295	380,090
Unearned revenue	3	137,864	219,489
Total Liabilities	29,669	456,946	667,770
Fund Balances:			
Nonspendable	-	-	133,382
Restricted	15,016	534,723	1,841,940
Committed	395,109	-	-
Assigned	-	-	-
Total Fund Balances	410,125	534,723	1,975,322
Total Liabilities and Fund Balances	\$ 439,794	\$ 991,669	\$ 2,643,092

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
\$ 266,630	\$ 297,357	\$ 2,856,664
1,093,021	-	2,751,351
-	-	5,146
-	-	118,402
<u>\$ 1,359,651</u>	<u>\$ 297,357</u>	<u>\$ 5,731,563</u>
\$ 18,082	\$ -	\$ 202,343
-	-	612,768
-	-	357,356
<u>18,082</u>	<u>-</u>	<u>1,172,467</u>
-	-	133,382
-	297,357	2,689,036
-	-	395,109
1,341,569	-	1,341,569
<u>1,341,569</u>	<u>297,357</u>	<u>4,559,096</u>
<u>\$ 1,359,651</u>	<u>\$ 297,357</u>	<u>\$ 5,731,563</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 98,246	\$ 874,482	\$ 4,532,374
Other State sources	297,541	1,821,191	310,782
Other local sources	269,119	1,972,435	3,600,972
Total Revenues	<u>664,906</u>	<u>4,668,108</u>	<u>8,444,128</u>
EXPENDITURES			
Current			
Instruction	177,461	2,040,907	-
Instruction-related activities:			
Supervision of instruction	-	386,858	-
School site administration	154,896	-	-
Pupil services:			
Food services	-	-	7,761,016
All other pupil services	52,101	-	-
Administration:			
All other administration	13,674	214,456	379,059
Plant services	-	4,279	-
Community services	-	1,718,340	-
Enterprise services	218,068	-	-
Facility acquisition and construction	-	12,865	-
Debt service			
Principal	-	59,914	-
Interest and other	-	-	-
Total Expenditures	<u>616,200</u>	<u>4,437,619</u>	<u>8,140,075</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>48,706</u>	<u>230,489</u>	<u>304,053</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	48,706	230,489	304,053
Fund Balance - Beginning	361,419	304,234	1,671,269
Fund Balance - Ending	<u>\$ 410,125</u>	<u>\$ 534,723</u>	<u>\$ 1,975,322</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	5,505,102
-	-	-	2,429,514
-	1,103,197	775,347	7,721,070
-	1,103,197	775,347	15,655,686
-	-	-	2,218,368
-	-	-	386,858
-	-	-	154,896
-	-	-	7,761,016
-	-	-	52,101
-	-	-	607,189
1	2,413,388	-	2,417,668
-	-	-	1,718,340
-	-	-	218,068
-	-	-	12,865
-	-	85,000	144,914
-	-	679,463	679,463
1	2,413,388	764,463	16,371,746
(1)	(1,310,191)	10,884	(716,060)
-	2,618,952	-	2,618,952
-	-	(2,618,952)	(2,618,952)
-	2,618,952	(2,618,952)	-
(1)	1,308,761	(2,608,068)	(716,060)
1	32,808	2,905,425	5,275,156
\$ -	\$ 1,341,569	\$ 297,357	\$ 4,559,096

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

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



INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Murrieta Valley Unified School District
Murrieta, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murrieta Valley Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Murrieta Valley Unified School District's basic financial statements, and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Murrieta Valley Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Murrieta Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Murrieta Valley Unified School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

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

Rancho Cucamonga, California
September 27, 2019



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

Governing Board
Murrieta Valley Unified School District
Murrieta, California

Report on Compliance for Each Major Federal Program

We have audited Murrieta Valley Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Murrieta Valley Unified School District's major Federal programs for the year ended June 30, 2019. Murrieta Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Murrieta Valley Unified School 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 Murrieta Valley Unified School 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 Murrieta Valley Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Murrieta Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Murrieta Valley Unified School 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 Murrieta Valley Unified School 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 Murrieta Valley Unified School 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.



Rancho Cucamonga, California
September 27, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Murrieta Valley Unified School District
Murrieta, California

Report on State Compliance

We have audited Murrieta Valley Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Murrieta Valley Unified School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Murrieta Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Murrieta Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Murrieta Valley Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Murrieta Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

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

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

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

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

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform procedures related to the District of Choice Program.

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

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

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

A handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Rancho Cucamonga, California
September 27, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>93.596</u>	<u>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</u>
<u>93.778</u>	<u>Medi-Cal Assistance Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

None reported.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

None reported.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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

There were no audit findings reported in the prior year's schedule of financial statement findings.