

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Government Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	14
Government Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Fiduciary Fund Financial Statements	
Statement of Net Position – Fiduciary Funds	22
Statement of Changes in Net Position – Fiduciary Funds	23
Notes to Financial Statements	24
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	66
Budgetary Comparison Schedule – Cafeteria Fund	67
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	68
Schedule of the District’s Proportionate Share of the Net Pension Liability	69
Schedule of the District Contributions	71
Note to Required Supplementary Information	73
Supplementary Information	
Schedule of Expenditures of Federal Awards	75
Local Education Agency Organization Structure	77
Schedule of Instructional Time	78
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	79
Schedule of Financial Trends and Analysis	80
Combining Balance Sheet – Non-Major Governmental Funds	81
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds	83
Note to Supplementary Information	85
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 <i>Government Auditing Standards</i>	87
Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control over Compliance Required by the Uniform Guidance	89
Independent Auditor’s Report on State Compliance	91

Schedule of Findings and Questioned Costs

Summary of Auditor's Results.....	94
Financial Statement Findings	95
Federal Awards Findings and Questioned Costs	96
State Awards Findings and Questioned Costs.....	97
Summary Schedule of Prior Audit Findings.....	98

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and Note 17 to the financial statements, Murrieta Valley Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on pages 66 and 67, schedule of changes in the District's total OPEB liability and related ratios on page 68, schedule of the District's proportionate share of the net pension liability on pages 69 and 70, and the schedule of District contributions on pages 71 and 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 financial statements. The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2021 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Murrieta Valley Unified School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Rancho Cucamonga, California
November 5, 2021



41870 McAlby Court, Murrieta, CA 92562
(951) 696-1600 ♦ www.murrieta.k12.ca.us

Board of Education
Oscar Rivas, Trustee Area 1
Kris Thomasian, Trustee Area 2
Kenneth Dickson, Trustee Area 3
Linda Lunn, Trustee Area 4
Paul Diffley, Trustee Area 5

Patrick Kelley
Superintendent

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, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include statements for each of the categories of activities: governmental 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.

2018 California Exemplary District

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Total net position increased by \$10,007,249 over the prior year for a new net position of \$145,201,289.
- For 2020-2021 the General Fund revenues totaled \$291,123,958 and expenditures and other uses totaled \$268,542,632. Expenditures included meeting the requirements of the District Local Control Accountability Plan, and programmatic changes in response to distance learning.
- Local Control Funding Formula (LCFF) funding was based on average daily attendance (ADA) equal to 22,340. Due to the impacts of COVID-19 and school closures, district ADA was based on attendance through February 21, 2020 for the 2019-2020 fiscal year. Student enrollment for 2020-2021 decreased by 520 students over prior year California Longitudinal Pupil Achievement Data System (CALPADS) to 22,950.
- The District filed a positive certification with the County Superintendent of Schools for both its First and Second Interim reports in 2020-2021.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities. Further, net position will be impacted by conditions and assumptions of the CalSTRS and CalPERS pension systems, whose operations are outside of the direct control of the District.

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 is 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 equipment and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$145,201,289 and \$135,194,040 for the fiscal years ended June 30, 2021 and 2020, respectively. Of this amount, \$(230,487,947) was unrestricted deficit at June 30, 2021. 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	
	2021	2020 (as restated)
Assets		
Current and other assets	\$ 135,771,520	\$ 120,417,124
Capital assets	498,866,867	505,322,960
Total assets	<u>634,638,387</u>	<u>625,740,084</u>
Deferred outflows of resources	<u>79,028,530</u>	<u>87,119,631</u>
Liabilities		
Current liabilities	13,960,805	19,600,375
Long-term liabilities	538,392,174	536,073,468
Total liabilities	<u>552,352,979</u>	<u>555,673,843</u>
Deferred inflows of resources	<u>16,112,649</u>	<u>21,991,832</u>
Net Position		
Net investment in capital assets	334,675,358	328,473,981
Restricted	40,952,341	34,839,190
Unrestricted	<u>(230,426,410)</u>	<u>(228,119,131)</u>
Total net position	<u>\$ 145,201,289</u>	<u>\$ 135,194,040</u>

Changes in Net Position

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

Table 2

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 679,198	\$ 4,552,666
Operating grants and contributions	83,758,908	50,681,866
Capital grants and contributions	6,345,582	-
General revenues		
Federal and State aid not restricted	153,012,543	156,379,454
Property taxes	82,835,495	78,529,683
Other general revenues	11,567,201	7,951,188
	<u>338,198,927</u>	<u>298,094,857</u>
Expenses		
Instruction-related	234,081,544	219,938,373
Pupil services	31,389,343	30,986,988
Administration	17,324,052	29,495,506
Plant services	29,162,605	27,748,980
All other services	16,234,134	15,466,370
	<u>328,191,678</u>	<u>323,636,217</u>
Change in net position	<u>\$ 10,007,249</u>	<u>\$ (25,541,360)</u>

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

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$328,191,678. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$82,835,495 because the cost was paid by those who benefited from the programs \$679,198 or by other governments and organizations who subsidized certain programs with grants and contributions of \$83,758,908. We paid for the remaining "public benefit" portion of our governmental activities, \$153,012,543 in Federal and State aid, and \$11,567,201 in other revenues, like interest, and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions including, instruction, pupil services, administration, plant 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	
	2021	2020*	2021	2020*
Instruction-related	\$ 234,081,544	\$ 219,938,373	\$(162,680,931)	\$(182,135,219)
Pupil services	31,389,343	30,986,988	(21,417,433)	(21,067,508)
Administration	17,324,052	29,495,506	(14,249,858)	(28,483,252)
Plant services	29,162,605	27,748,980	(26,512,358)	(26,935,257)
All other services	16,234,134	15,466,370	(12,547,410)	(9,780,449)
Total	\$ 328,191,678	\$ 323,636,217	\$(237,407,990)	\$(268,401,685)

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

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$123,776,294 (Table 4) in 2021, compared to \$102,928,441 in 2020.

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2020	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 51,961,294	\$ 291,123,958	\$ 268,542,632	\$ 74,542,620
Cafeteria	1,210,133	5,813,148	6,920,825	102,456
Building	11,181,614	42,635	2,914,976	8,309,273
Capital Facilities	5,899,607	9,830,382	10,192,144	5,537,845
Capital Project Component Unit	4,800,880	4,768,756	2,241,226	7,328,410
Bond Interest and Redemption	24,172,708	20,255,118	19,575,659	24,852,167
Non-Major Governmental*	3,702,205	12,715,301	13,313,983	3,103,523
Total	\$ 102,928,441	\$ 344,549,298	\$ 323,701,445	\$ 123,776,294

* As restated, see Note 17.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$498,866,867 in a broad range of capital assets (net of depreciation), including land, buildings, and equipment.

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 37,605,130	\$ 38,231,725
Buildings and improvements	455,974,743	461,148,516
Equipment	5,286,994	5,942,719
Total	\$ 498,866,867	\$ 505,322,960

Long-Term Liabilities

At the end of this year, the District had \$538,392,174 in outstanding long-term liabilities. The long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 184,556,394	\$ 194,989,053
Certificates of participation	22,195,000	22,770,000
Unamortized premiums	11,291,020	12,516,593
Unamortized (discounts)	(281,860)	(295,953)
Capital leases	114,730	226,107
Supplemental early retirement plan	6,093,681	8,124,908
Compensated absences	741,357	844,515
Total OPEB liability	17,244,473	17,455,148
Aggregate net pension liability	296,437,379	279,443,097
Total	\$ 538,392,174	\$ 536,073,468

FACTORS BEARING ON THE DISTRICT'S FUTURE

In considering the District budget for the 2021-2022 fiscal year and beyond, the District Board of Education and management utilized the Governor's May Revise assumptions. Select criteria used at adoption were:

- Funded ADA projected at 22,348 (based on 2019-20 ADA)
- LCFF Cost of Living Adjustment of 5.07%
- Increase of 0.77% to CalSTRS contribution rate, 16.92%
- Increase of 2.21% to CalPERS contribution rate, 22.91%
- Step and column increases for employees

While the enacted state budget deviated slightly from the May Revise, it did not materially impact the assumptions made by the District. During the 2019-2020 and 2020-2021 fiscal years, the District received significant amounts of one-time funding related to the COVID-19 pandemic. These funds will be spent down in accordance with applicable regulations over the next several years.

Additionally, the District will be required to implement new programs and make changes to existing programs in accordance with legislative changes. These changes impact the District's operations and have significant budget impacts. Forthcoming programmatic changes include, but are not limited to:

- Transitional Kindergarten
- Later Start Times for Secondary Schools
- Universal Meal Eligibility

The District will continue to update its budget projections at each reporting interval using the best information available at that time.

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 via e-mail at bolien@murrieta.k12.ca.us.

Murrieta Valley Unified School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 106,252,056
Receivables	28,257,743
Prepaid expense	999,140
Stores inventories	262,581
Capital assets not depreciated	37,605,130
Capital assets, net of accumulated depreciation	461,261,737
Total assets	634,638,387
Deferred Outflows of Resources	
Deferred charge on refunding	3,886,833
Deferred outflows of resources related to OPEB	1,077,703
Deferred outflows of resources related to pensions	74,063,994
Total deferred outflows of resources	79,028,530
Liabilities	
Accounts payable	9,734,040
Interest payable	1,965,579
Unearned revenue	2,261,186
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	17,635,957
Long-term liabilities other than OPEB and pensions due in more than one year	207,074,365
Total other postemployment benefits liability (OPEB)	17,244,473
Aggregate net pension liability	296,437,379
Total liabilities	552,352,979

Murrieta Valley Unified School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	\$ 2,228,946
Deferred inflows of resources related to pensions	13,883,703
Total deferred inflows of resources	16,112,649
Net Position	
Net investment in capital assets	334,675,358
Restricted for	
Debt service	23,187,521
Capital projects	5,537,845
Educational programs	10,366,378
Other restrictions	1,860,597
Unrestricted	(230,426,410)
Total net position	\$ 145,201,289

Murrieta Valley Unified School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$208,156,516	\$ 57,741	\$ 60,951,379	\$ 6,345,582	\$(140,801,814)
Instruction-related activities					
Supervision of instruction	7,006,259	9,280	2,195,064	-	(4,801,915)
Instructional library, media, and technology	1,621,126	-	415,548	-	(1,205,578)
School site administration	17,297,643	-	1,426,019	-	(15,871,624)
Pupil services					
Home-to-school transportation	4,232,967	-	46,849	-	(4,186,118)
Food services	7,047,443	5,761	5,160,059	-	(1,881,623)
All other pupil services	20,108,933	-	4,759,241	-	(15,349,692)
Administration					
Data processing	4,473,958	-	371,457	-	(4,102,501)
All other administration	12,850,094	22,444	2,680,293	-	(10,147,357)
Plant services	29,162,605	53,931	2,596,316	-	(26,512,358)
Ancillary services	4,547,960	-	144,141	-	(4,403,819)
Community services	2,304,410	39,224	1,258,678	-	(1,006,508)
Enterprise services	16,727	-	-	-	(16,727)
Interest on long-term liabilities	9,186,830	-	-	-	(9,186,830)
Other outgo	178,207	490,817	1,753,864	-	2,066,474
Total governmental activities	\$328,191,678	\$ 679,198	\$ 83,758,908	\$ 6,345,582	(237,407,990)
General Revenues and Subventions					
Property taxes, levied for general purposes					61,626,304
Property taxes, levied for debt service					20,144,769
Taxes levied for other specific purposes					1,064,422
Federal and State aid not restricted to specific purposes					153,012,543
Interest and investment earnings					235,146
Miscellaneous					11,332,055
Subtotal, general revenues					247,415,239
Change in Net Position					10,007,249
Net Position - Beginning					133,482,690
Restatement (Note 17)					1,711,350
Net Position - Beginning, as restated					135,194,040
Net Position - Ending					\$ 145,201,289

Murrieta Valley Unified School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets								
Deposits and investments	\$ 54,085,155	\$ 747,755	\$ 9,086,999	\$ 5,054,839	\$ 9,471,804	\$ 24,852,167	\$ 2,953,337	\$ 106,252,056
Receivables	26,590,516	578,142	6,934	392,467	-	-	689,684	28,257,743
Due from other funds	1,783,408	577,306	-	2,143,499	-	-	156,172	4,660,385
Prepaid expenditures	999,140	-	-	-	-	-	-	999,140
Stores inventories	-	88,076	-	-	-	-	174,505	262,581
Total assets	\$ 83,458,219	\$ 1,991,279	\$ 9,093,933	\$ 7,590,805	\$ 9,471,804	\$ 24,852,167	\$ 3,973,698	\$ 140,431,905
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 6,391,256	\$ 58,231	\$ 784,660	\$ 2,052,855	\$ -	\$ -	\$ 447,038	\$ 9,734,040
Due to other funds	733,315	1,554,346	-	105	2,143,394	-	229,225	4,660,385
Unearned revenue	1,791,028	276,246	-	-	-	-	193,912	2,261,186
Total liabilities	8,915,599	1,888,823	784,660	2,052,960	2,143,394	-	870,175	16,655,611
Fund Balances								
Nonspendable	1,014,140	102,456	-	-	-	-	-	1,116,596
Restricted	10,366,378	-	8,309,273	5,537,845	7,328,410	24,852,167	2,161,530	58,555,603
Committed	-	-	-	-	-	-	351,575	351,575
Assigned	16,988,303	-	-	-	-	-	590,418	17,578,721
Unassigned	46,173,799	-	-	-	-	-	-	46,173,799
Total fund balances	74,542,620	102,456	8,309,273	5,537,845	7,328,410	24,852,167	3,103,523	123,776,294
Total liabilities and fund balances	\$ 83,458,219	\$ 1,991,279	\$ 9,093,933	\$ 7,590,805	\$ 9,471,804	\$ 24,852,167	\$ 3,973,698	\$ 140,431,905

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

Total Fund Balance - Governmental Funds \$ 123,776,294

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	\$ 713,393,841
Accumulated depreciation is	<u>(214,526,974)</u>

Net capital assets	498,866,867
--------------------	-------------

In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. (1,965,579)

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	3,886,833
Other postemployment benefits (OPEB)	1,077,703
Net pension liability	<u>74,063,994</u>

Total deferred outflows of resources	79,028,530
--------------------------------------	------------

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(2,228,946)
Net pension liability	<u>(13,883,703)</u>

Total deferred inflows of resources	(16,112,649)
-------------------------------------	--------------

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (296,437,379)

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. (17,244,473)

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

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

Long-term liabilities at year-end consist of

General obligation bonds	\$ (150,397,135)
Certificates of participation	(22,195,000)
Unamortized debt premiums	(11,291,020)
Unamortized debt discounts	281,860
Capital leases	(114,730)
Compensated absences (vacations)	(741,357)
Supplemental early retirement plan	(6,093,681)
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(34,159,259)

Total long-term liabilities	\$ (224,710,322)
-----------------------------	------------------

Total net position - governmental activities	\$ 145,201,289
--	----------------

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

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues								
Local Control Funding Formula	\$ 208,628,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,628,611
Federal sources	23,302,050	4,879,701	-	-	-	-	1,480,521	29,662,272
Other State sources	37,696,637	352,070	-	-	-	126,731	8,730,428	46,905,866
Other local sources	21,496,660	7,345	42,635	1,341,406	4,768,756	20,128,387	2,345,449	50,130,638
Total revenues	291,123,958	5,239,116	42,635	1,341,406	4,768,756	20,255,118	12,556,398	335,327,387
Expenditures								
Current								
Instruction	174,989,999	-	-	-	-	-	2,153,718	177,143,717
Instruction-related activities								
Supervision of instruction	6,070,413	-	-	-	-	-	375,368	6,445,781
Instructional library, media, and technology	1,502,879	-	-	-	-	-	-	1,502,879
School site administration	15,725,967	-	-	-	-	-	167,858	15,893,825
Pupil services								
Home-to-school transportation	3,896,661	-	-	-	-	-	-	3,896,661
Food services	45,852	6,617,821	-	-	-	-	-	6,663,673
All other pupil services	18,476,887	-	-	-	-	-	72,086	18,548,973
Administration								
Data processing	3,721,383	-	-	-	-	-	-	3,721,383
All other administration	13,064,948	303,004	-	684,516	-	-	226,175	14,278,643
Plant services	25,347,533	-	1,733,259	311,904	97,832	-	404,318	27,894,846
Ancillary services	3,418,670	-	-	-	-	-	961,244	4,379,914
Community services	404,348	-	-	-	-	-	1,763,723	2,168,071
Other outgo	178,207	-	-	-	-	-	-	178,207
Enterprise services	-	-	-	-	-	-	16,727	16,727
Facility acquisition and construction	607,065	-	1,181,717	8,713,725	-	-	38,683	10,541,190
Debt service								
Principal	155,000	-	-	421,377	-	13,955,000	110,000	14,641,377
Interest and other	206,723	-	-	60,622	-	5,620,659	675,663	6,563,667
Total expenditures	267,812,535	6,920,825	2,914,976	10,192,144	97,832	19,575,659	6,965,563	314,479,534
Excess (Deficiency) of Revenues Over Expenditures	23,311,423	(1,681,709)	(2,872,341)	(8,850,738)	4,670,924	679,459	5,590,835	20,847,853

See Notes to Financial Statements

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

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)								
Transfers in	\$ -	\$ 574,032	\$ -	\$ 8,488,976	\$ -	\$ -	\$ 158,903	\$ 9,221,911
Transfers out	(730,097)	-	-	-	(2,143,394)	-	(6,348,420)	(9,221,911)
Net Financing Sources (Uses)	(730,097)	574,032	-	8,488,976	(2,143,394)	-	(6,189,517)	-
Net Change in Fund Balances	22,581,326	(1,107,677)	(2,872,341)	(361,762)	2,527,530	679,459	(598,682)	20,847,853
Fund Balance - Beginning	51,961,294	1,210,133	11,181,614	5,899,607	4,800,880	24,172,708	1,990,855	101,217,091
Restatement (Note 17)	-	-	-	-	-	-	1,711,350	1,711,350
Fund Balance - Beginning, as restated	51,961,294	1,210,133	11,181,614	5,899,607	4,800,880	24,172,708	3,702,205	102,928,441
Fund Balance - Ending	\$ 74,542,620	\$ 102,456	\$ 8,309,273	\$ 5,537,845	\$ 7,328,410	\$ 24,852,167	\$ 3,103,523	\$ 123,776,294

Murrieta Valley Unified School District

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

Total Net Change in Fund Balances - Governmental Funds \$ 20,847,853

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 outlays in the period.

Depreciation expense	\$ (17,114,881)	
Capital outlays	<u>10,658,788</u>	
Net expense adjustment		(6,456,093)

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (3,522,341)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental early retirement plan (early retirement) plan are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement earned and used. 2,134,385

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. (18,396,830)

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. (140,280)

Murrieta Valley Unified School District

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

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

Premium amortization	\$ 1,225,573
Discount amortization	(14,093)
Deferred charge on refunding amortization	(458,415)

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

General obligation bonds	13,955,000
Certificates of participation	575,000
Capital leases	111,377

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

146,113

Change in net position of governmental activities

\$ 10,007,249

Murrieta Valley Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 29,896,351</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 29,896,351</u>

Murrieta Valley Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021

	<u>Custodial Funds</u>
Additions	
Special tax assessment	\$ 6,489,626
Investment income	1,523,731
Interest	<u>794,205</u>
Total additions	<u>8,807,562</u>
Deductions	
Debt service payments	7,481,372
Administrative expense	60,303
Payments to other governments	<u>346,766</u>
Total deductions	<u>7,888,441</u>
Net Change in Fiduciary Net Position	919,121
Net Position - Beginning	-
Restatement (Note 17)	28,977,230
Net Position - Beginning, as restated	<u>28,977,230</u>
Net Position - Ending	<u><u>\$ 29,896,351</u></u>

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. For financial reporting purposes, the component units described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method 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 direct benefit of the District.

The Murrieta Valley Unified School District Educational Facilities Corporation (the Corporation) financial activity is presented in the Governmental Funds financial statements as the Capital Projects Fund for Blended Component Units and the Educational Facilities Corporation Debt Service Fund. Certificates of participation issued by the Corporation are included in the long-term liabilities in the government-wide financial statements. 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 Fiduciary Fund financial statements as the Custodial Funds and in the Governmental Funds financial statements as the Capital Project Fund for Blended Component Units.. Special Tax Bonds issued by the CFDs and Special Tax Revenue Bonds issued for the PFAs are not included in the long-term

liabilities 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.

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.

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).

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.

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

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 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

- **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 resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District's custodial 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 and funds held on behalf of other agencies. The District does not have any trust funds.

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

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.

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

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

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

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

Investments

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

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$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 acquisition value on the date donated.

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

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

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.

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 deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District 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 \$40,952,341 of restricted net position, all of which is restricted by enabling legislation.

Interfund Activity

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

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District’s student body activities from fiduciary to governmental and a reclassification of agency funds to custodial funds. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 17.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	\$ 106,252,056
Fiduciary funds	<u>29,896,351</u>
Total deposits and investments	<u><u>\$ 136,148,407</u></u>

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

Cash on hand and in banks	\$ 2,284,113
Cash in revolving	43,380
Investments	<u>133,820,914</u>
Total deposits and investments	<u><u>\$ 136,148,407</u></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.

General Authorizations

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

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

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Reported Amount	Weighted Average Maturity in Days
Money Market Mutual Funds	\$ 39,669,088	365
County Pool	94,151,826	420
Total	<u>\$ 133,820,914</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	Reported Amount	Minimum Legal Rating	Rating as of Year End	
			Aaa-mf	Aaa-bf
Money Market Mutual Funds	\$ 39,669,088	N/A	\$ 39,669,088	\$ -
County Pool	94,151,826	N/A	-	94,151,826
Total	<u>\$ 133,820,914</u>		<u>\$ 39,669,088</u>	<u>\$ 94,151,826</u>

N/A - Not applicable

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, \$1,368,839 of the District’s bank balance 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.

Note 3 - Receivables

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

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 6,912,943	\$ 532,820	\$ -	\$ -	\$ 241,160	\$ 7,686,923
State Government						
LCFF apportionment	6,175,861	-	-	-	-	6,175,861
Categorical aid	4,422,452	44,499	-	-	325,716	4,792,667
Lottery	1,544,645	-	-	-	-	1,544,645
Other State	6,060,734	-	-	-	-	6,060,734
Local						
Interest	35,764	261	6,934	3,506	793	47,258
Other local sources	1,438,117	562	-	388,961	122,015	1,949,655
Total	\$ 26,590,516	\$ 578,142	\$ 6,934	\$ 392,467	\$ 689,684	\$ 28,257,743

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 36,041,932	\$ -	\$ -	\$ 36,041,932
Construction in progress	2,189,793	-	(626,595)	1,563,198
Total capital assets not being depreciated	38,231,725	-	(626,595)	37,605,130
Capital assets being depreciated				
Buildings and improvements	647,994,094	11,084,985	-	659,079,079
Furniture and equipment	16,538,723	200,398	(29,489)	16,709,632
Total capital assets being depreciated	664,532,817	11,285,383	(29,489)	675,788,711
Total capital assets	702,764,542	11,285,383	(656,084)	713,393,841
Accumulated depreciation				
Buildings and improvements	(186,845,578)	(16,258,758)	-	(203,104,336)
Furniture and equipment	(10,596,004)	(856,123)	29,489	(11,422,638)
Total accumulated depreciation	(197,441,582)	(17,114,881)	29,489	(214,526,974)
Governmental activities capital assets, net	\$ 505,322,960	\$ (5,829,498)	\$ (626,595)	\$ 498,866,867

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 16,519,537
Home-to-school transportation	55,486
Food services	37,538
All other administration	441,447
Plant services	60,873
Total depreciation expenses, governmental activities	\$ 17,114,881

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

Due To	Due From					Total
	General Fund	Cafeteria Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,554,346	\$ -	\$ -	\$ 229,062	\$ 1,783,408
Cafeteria Fund	577,248	-	-	-	58	577,306
Capital Facilities	-	-	-	2,143,394	105	2,143,499
Non-Major Governmental Funds	156,067	-	105	-	-	156,172
Total	\$ 733,315	\$ 1,554,346	\$ 105	\$ 2,143,394	\$ 229,225	\$ 4,660,385

A balance of \$293,416 is due to the General Fund from the Cafeteria Fund for indirect costs.

A balance of \$1,250,000 is due to the General Fund from the Cafeteria Fund for temporary loan.

A balance of \$210,188 is due to the General Fund from the Child Development Non-Major Governmental Fund for indirect costs.

The balance of \$156,067 is due to the Child Development Non-Major Governmental Fund from the General Fund for indirect costs.

A balance of \$471,576 is due to the Cafeteria Fund from the General Fund for contribution.

The balance of \$2,143,394 is due to the Capital Facilities Fund from the Capital Projects Fund for Blended Component Units 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.

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The General Fund transferred to the Cafeteria Fund for contributions.	\$ 574,032
The General Fund transferred to the Child Development Non-Major Governmental Fund for contribution.	156,065
The Capital Projects Fund for Blended Component Unit transferred to the Capital Facilities Fund for reimbursement of construction costs.	2,143,394
The County School Facilities Non-Major Governmental Fund transferred to the Capital Facilities Fund for reimbursement of capital project costs.	6,345,582
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 costs.	2,838
Total	\$ 9,221,911

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

Note 6 - Accounts Payable

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

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,067,402	\$ 45,539	\$ 705,258	\$ 1,186,407	\$ 389,587	\$ 3,394,193
LCFF apportionment	3,850,211	-	-	-	-	3,850,211
Salaries and benefits	1,256,997	12,692	-	-	57,451	1,327,140
Construction	216,646	-	79,402	866,448	-	1,162,496
Total	\$ 6,391,256	\$ 58,231	\$ 784,660	\$ 2,052,855	\$ 447,038	\$ 9,734,040

Note 7 - Unearned Revenue

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 659,472	\$ 276,246	\$ -	\$ 935,718
State categorical aid	1,025,273	-	-	1,025,273
Other local	106,283	-	193,912	300,195
Total	\$ 1,791,028	\$ 276,246	\$ 193,912	\$ 2,261,186

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 194,989,053	\$ 3,522,341	\$ (13,955,000)	\$ 184,556,394	\$ 14,905,000
Certificates of participation	22,770,000	-	(575,000)	22,195,000	585,000
Unamortized debt premiums	12,516,593	-	(1,225,573)	11,291,020	-
Unamortized debt discounts	(295,953)	-	14,093	(281,860)	-
Capital leases	226,107	-	(111,377)	114,730	114,730
Supplemental early retirement plan	8,124,908	-	(2,031,227)	6,093,681	2,031,227
Compensated absences	844,515	-	(103,158)	741,357	-
Total	\$ 239,175,223	\$ 3,522,341	\$ (17,987,242)	\$ 224,710,322	\$ 17,635,957

Payments for bonds associated with General Obligation Bonds are made in the Bond Interest and Redemption Fund. Payments on Certificates of Participations are made in the General Fund, Capital Facilities Fund, and Educational Facilities Corporation Debt Service Fund. Payments for Capital Leases are made in the 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.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Interest Accreted	Bonds Redeemed	Bonds Outstanding June 30, 2021
09/01/98	09/01/23	4.05-5.30%	\$ 25,999,501	\$ 18,002,107	\$ -	\$ 807,973	\$ (5,050,000)	\$ 13,760,080
08/29/01	09/01/23	2.25-5.31%	11,499,326	2,710,273	-	145,537	(760,000)	2,095,810
05/29/03	09/01/27	2.00-5.12%	11,884,284	539,231	-	56,134	-	595,365
09/10/08	09/01/33	3.50-5.70%	24,996,844	40,345,951	-	2,278,635	(285,000)	42,339,586
07/31/12	09/01/26	2.00-3.38%	11,425,000	6,680,000	-	-	(835,000)	5,845,000
06/20/13	09/01/29	2.00-3.50%	15,640,000	11,430,000	-	-	(960,000)	10,470,000
07/30/15	09/01/44	1.50-5.11%	38,401,818	32,116,491	-	234,062	(920,000)	31,430,553
07/30/15	09/01/26	2.00-5.00%	40,090,000	36,100,000	-	-	(3,585,000)	32,515,000
04/27/16	09/01/30	2.00-3.50%	32,945,000	30,145,000	-	-	-	30,145,000
06/22/17	09/01/46	2.00-4.00%	6,755,000	4,920,000	-	-	(1,560,000)	3,360,000
01/30/20	09/01/49	2.50-4.00%	12,000,000	12,000,000	-	-	-	12,000,000
				<u>\$ 194,989,053</u>	<u>\$ -</u>	<u>\$ 3,522,341</u>	<u>\$ (13,955,000)</u>	<u>\$ 184,556,394</u>

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2022	\$ 1,918,676	\$ 4,145,192	\$ 6,063,868	\$ 146,132	\$ 6,210,000
2023	1,962,840	4,101,861	6,064,701	485,299	6,550,000
2024	1,863,595	3,584,455	5,448,050	756,950	6,205,000
2025	1,589,663	1,508,163	3,097,826	597,174	3,695,000
2026	1,536,710	1,468,822	3,005,532	779,468	3,785,000
2027-2031	7,231,278	7,540,045	14,771,323	7,593,677	22,365,000
2032-2036	11,473,050	11,131,060	22,604,110	21,025,890	43,630,000
2037-2040	2,006,323	679,661	2,685,984	3,544,016	6,230,000
Total	<u>\$ 29,582,135</u>	<u>\$ 34,159,259</u>	<u>\$ 63,741,394</u>	<u>\$ 34,928,606</u>	<u>\$ 98,670,000</u>

Murrieta Valley Unified School District

Notes to Financial Statements

June 30, 2021

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2022	\$ 8,695,000	\$ 5,199,769	\$ 13,894,769
2023	8,910,000	4,797,369	13,707,369
2024	9,585,000	4,374,169	13,959,169
2025	9,140,000	3,949,494	13,089,494
2026	9,770,000	3,520,737	13,290,737
2027-2031	50,440,000	10,481,950	60,921,950
2032-2036	825,000	4,536,744	5,361,744
2037-2041	3,570,000	4,311,882	7,881,882
2042-2046	14,340,000	2,311,610	16,651,610
2047-2050	5,540,000	454,488	5,994,488
 Total	 <u>\$ 120,815,000</u>	 <u>\$ 43,938,212</u>	 <u>\$ 164,753,212</u>

Certificates of Participation

<u>Issuance Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2021</u>
05/01/12	08/01/27	3.20%	\$ 7,495,000	\$ 4,220,000	\$ -	\$ (465,000)	\$ 3,755,000
11/10/16	05/01/41	2.00-4.00%	19,405,000	18,550,000	-	(110,000)	18,440,000
				<u>\$22,770,000</u>	<u>\$ -</u>	<u>\$ (575,000)</u>	<u>\$22,195,000</u>

Debt Service Requirement

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	640,000	733,203	1,373,203
2026	825,000	710,373	1,535,373
2027-2031	2,045,000	3,195,003	5,240,003
2032-2036	5,430,000	2,826,094	8,256,094
2037-2041	9,385,000	1,196,250	10,581,250
 Total	 <u>\$ 20,160,000</u>	 <u>\$ 10,994,102</u>	 <u>\$ 31,154,102</u>

Capital Leases

The District has entered into agreements to lease 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:

	School Bus Lease
Balance, July 1, 2020	\$ 236,370
Additions	-
Payments	(118,185)
Balance, July 1, 2021	\$ 118,185

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	\$ 118,185
Less amount representing interest	(3,455)
Present value of minimum lease payments	\$ 114,730

Leased equipment under capital leases in capital assets at June 30, 2021, include the following:

Equipment	\$ 173,412
Less accumulated depreciation	(24,773)
Total	\$ 148,639

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

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. This benefit is paid out annually to the retiree in equal installments annually for a period up to five year. Currently, there are 170 employees participating in the plan and the District’s obligation to those retirees as of June 30, 2021, is \$6,093,681.

Future payments are as follows:

Year Ending June 30,	Annual Payment
2022	\$ 2,031,227
2023	2,031,227
2024	2,031,227
Total	\$ 6,093,681

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2021, amounted to \$741,357.

Note 9 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 17,244,473	\$ 1,077,703	\$ 2,228,946	\$ 210,675

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, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	177
Active employees	1,552
Total	1,729

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 benefit payment requirements of Plan members and the District are established and may be amended by the District, the Murrieta Teachers Association (MTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, MTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2021, the District paid \$1,255,081 in benefits.

Total OPEB Liability of the District

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was measured as of June 30, 2021 and 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	2.16 percent
Healthcare cost trend rates	4.00 percent for 2021

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 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 actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. 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

	<u>Total OPEB Liability</u>
Balance, June 30, 2020	\$ 17,455,148
Service cost	1,110,326
Interest	382,421
Changes of assumptions	(448,341)
Benefit payments	(1,255,081)
Net change in total OPEB liability	<u>(210,675)</u>
Balance, June 30, 2021	<u>\$ 17,244,473</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.20% in 2020 to 2.16% in 2021.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.16%)	\$ 18,310,059
Current discount rate (2.16%)	17,244,473
1% increase (3.16%)	16,177,788

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	\$ 15,244,313
Current healthcare cost trend rate (4.00%)	17,244,473
1% increase (5.00%)	19,586,859

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$210,675. At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 807,763	\$ -
Changes of assumptions	269,940	2,228,946
Total	\$ 1,077,703	\$ 2,228,946

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (97,386)
2023	(97,386)
2024	(97,386)
2025	(97,386)
2026	(97,386)
Thereafter	(664,313)
Total	\$ (1,151,243)

Note 10 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facilities Districts and the Public Financing 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 \$106,340,000 as of June 30, 2021, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Year Ending June 30,	Principal	Interest	Total
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	5,410,000	3,893,860	9,303,860
2026	5,405,000	3,646,085	9,051,085
2027-2031	31,135,000	14,098,068	45,233,068
2032-2036	27,960,000	6,885,457	34,845,457
2037-2041	12,295,000	2,502,933	14,797,933
2042-2046	7,770,000	1,074,391	8,844,391
2047-2049	1,265,000	49,113	1,314,113
Total	\$ 106,340,000	\$ 45,214,447	\$ 151,554,447

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
Nonspendable				
Revolving cash	\$ 15,000	\$ 14,380	\$ -	\$ -
Stores inventories	-	88,076	-	-
Prepaid expenditures	999,140	-	-	-
Total nonspendable	<u>1,014,140</u>	<u>102,456</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	10,366,378	-	-	-
Capital projects	-	-	8,309,273	5,537,845
Debt services	-	-	-	-
Total restricted	<u>10,366,378</u>	<u>-</u>	<u>8,309,273</u>	<u>5,537,845</u>
Committed				
Adult education program	-	-	-	-
Assigned				
Fair Market Value of Investments	10,771	-	-	-
Medi-Cal LEA audit repayment	974,556	-	-	-
CSEA negotiated agreement	111,800	-	-	-
Discretionary budgets	795,964	-	-	-
Medi-Cal administrative activities	1,158,159	-	-	-
One-time funds for outstanding mandates	10,688,467	-	-	-
Donations	655,872	-	-	-
Saturday school reimbursement program	97,966	-	-	-
Site safety awards	53,813	-	-	-
Green team schools	29,123	-	-	-
Insurance reimbursement	24,265	-	-	-
Site facility use agreements	72,458	-	-	-
Other grants	13,327	-	-	-
Non resident student fees	784,637	-	-	-
Site supplemental discretionary	1,517,125	-	-	-
Other	-	-	-	-
Total assigned	<u>16,988,303</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned				
Reserve for economic uncertainties	8,058,435	-	-	-
Remaining unassigned	38,115,364	-	-	-
Total unassigned	<u>46,173,799</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 74,542,620</u>	<u>\$ 102,456</u>	<u>\$ 8,309,273</u>	<u>\$ 5,537,845</u>

Murrieta Valley Unified School District

Notes to Financial Statements

June 30, 2021

	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ -	\$ -	\$ -	\$ 29,380
Stores inventories	-	-	-	88,076
Prepaid expenditures	-	-	-	999,140
Total nonspendable	-	-	-	1,116,596
Restricted				
Legally restricted programs	-	-	1,860,597	12,226,975
Capital projects	7,328,410	-	-	21,175,528
Debt services	-	24,852,167	300,933	25,153,100
Total restricted	7,328,410	24,852,167	2,161,530	58,555,603
Committed				
Adult education program	-	-	351,575	351,575
Assigned				
Fair Market Value of Investments	-	-	-	10,771
Medi-Cal LEA audit repayment	-	-	-	974,556
CSEA negotiated agreement	-	-	-	111,800
Discretionary budgets	-	-	-	795,964
Medi-Cal administrative activities	-	-	-	1,158,159
One-time funds for outstanding mandates	-	-	-	10,688,467
Donations	-	-	-	655,872
Saturday school reimbursement program	-	-	-	97,966
Site safety awards	-	-	-	53,813
Green team schools	-	-	-	29,123
Insurance reimbursement	-	-	-	24,265
Site facility use agreements	-	-	-	72,458
Other grants	-	-	-	13,327
Non resident student fees	-	-	-	784,637
Site supplemental discretionary	-	-	-	1,517,125
Other	-	-	590,418	590,418
Total assigned	-	-	590,418	17,578,721
Unassigned				
Reserve for economic uncertainties	-	-	-	8,058,435
Remaining unassigned	-	-	-	38,115,364
Total unassigned	-	-	-	46,173,799
Total	\$ 7,328,410	\$ 24,852,167	\$ 3,103,523	\$123,776,294

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. 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.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Riverside Schools Insurance Authority (RSIA) for property and liability insurance coverage. Currently the JPA pools for the first \$50,000 of liability coverage and the first \$25,000 of property coverage. RSIA provides hazardous materials inventories, public records request act direction and other services for its members. Southern California Regional Liability Excess Fund (SCR) provides property and liability coverage to schools, county offices of education and special educational agencies located in Southern California. SCR members pool for the first \$1,000,000 of liability coverage and then purchases/risk transfers coverage for \$50,000,000 excess of \$1,000,000 through the Schools Association For Excess Risk (SAFER). SCR members pool for the first \$250,000 of property coverage and risk transfers/purchases property coverage for \$250,000,000 excess of \$250,000 from the Schools Association For Excess Risk. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2021, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

Employee Medical Benefits

The District is a member of the Regional Employer/Employee Partnership (REEP) to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims

flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

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).

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 206,925,928	\$ 58,221,829	\$ 11,001,131	\$ 29,983,646
CalPERS	89,511,451	15,842,165	2,882,572	17,167,875
Total	<u>\$ 296,437,379</u>	<u>\$ 74,063,994</u>	<u>\$ 13,883,703</u>	<u>\$ 47,151,521</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$19,641,399.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 206,925,928
State's proportionate share of the net pension liability	<u>106,670,340</u>
Total	<u><u>\$ 313,596,268</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.2135 % and 0.2147%, respectively, resulting in a net decrease in the proportionate share of 0.0012%.

For the year ended June 30, 2021, the District recognized pension expense of \$29,983,646. In addition, the District recognized pension expense and revenue of \$14,943,468 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 19,641,399	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	13,121,724	5,165,466
Differences between projected and actual earnings on pension plan investments	4,915,369	-
Differences between expected and actual experience in the measurement of the total pension liability	365,129	5,835,665
Changes of assumptions	<u>20,178,208</u>	<u>-</u>
Total	<u><u>\$ 58,221,829</u></u>	<u><u>\$ 11,001,131</u></u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (2,999,329)
2023	1,674,757
2024	3,341,326
2025	<u>2,898,615</u>
Total	<u>\$ 4,915,369</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 7,485,876
2023	5,784,505
2024	7,278,960
2025	1,519,155
2026	830,227
Thereafter	<u>(234,793)</u>
Total	<u>\$ 22,663,930</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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	42%	4.8%
Fixed income	15%	1.3%
Real estate	13%	3.6%
Private equity	12%	6.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 312,636,253
Current discount rate (7.10%)	206,925,928
1% increase (8.10%)	119,647,168

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, 2019 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, 2021, are summarized as follows:

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$9,113,292.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$89,511,451. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, was 0.2917% and 0.2936%, respectively, resulting in a net decrease in the proportionate share of 0.0019%.

For the year ended June 30, 2021, the District recognized pension expense of \$17,167,875. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,113,292	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	97,794	2,882,572
Differences between projected and actual earnings on pension plan investments	1,863,344	-
Differences between expected and actual experience in the measurement of the total pension liability	4,439,493	-
Changes of assumptions	328,242	-
Total	\$ 15,842,165	\$ 2,882,572

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (697,302)
2023	621,969
2024	1,081,085
2025	857,592
Total	<u>\$ 1,863,344</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,754,936
2023	604,705
2024	(332,969)
2025	(43,715)
Total	<u>\$ 1,982,957</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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 128,689,033
Current discount rate (7.15%)	89,511,451
1% increase (8.15%)	56,996,023

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$12,071,928 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 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, 2021.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
HVAC replacement	\$ 922,565	October 2021
Roof replacement	1,323,770	November 2021
Murrieta Mesa High School	936,827	October 2021
Total	\$ 3,183,162	

Note 15 - Participation in Public Entity Risk Pools

The District is a member of the Riverside Schools Insurance Authority (RSIA), Southern California Regional Liability Excess Fund (SCR), Schools Associations for Excess Risk (SAFER), Riverside Schools Risk Management Authority (RSRMA), Protected Insurance Program for Schools and Community Colleges (PIPS), and Regional Employer/Employee Partnership (REEP) public entity risk pools. The District pays an annual premium to each entity for its property and liability, workers' compensation, medical, vision, dental, and life insurance coverage. The relationships between the District, the pools, and the JPAs are such that the JPAs 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, 2021, the District made payments of \$2,033,489, \$3,453,668, and \$24,232,799 to RSIA, RSRMA, and REEP, respectively, for its property liability, workers' compensation, and health coverage.

Note 16 - Subsequent Events

General Obligation Bonds, Election of 2014, Series 2021

On July 28, 2021, the District issued \$12,000,000 in current interest bonds of the Election of 2014 General Obligation Bonds, Series 2021. The principal payments of the Series 2021 general obligation bonds will begin in September 2022, and are to be made annually thereafter, and interest payments are made semi-annually and will begin in September 2022. The proceeds from the sale of the bonds were used to finance the renovation, construction, and improvement of school facilities.

2021 General Obligation Refunding Bonds

On July 28, 2021, the District issued \$39,955,000 in current interest bonds to refund certain maturities of the District's outstanding General Obligation Refunding Bonds, Election of 2002, Series 2012, the General Obligation Refunding Bonds, Election of 2002, Series 2013 and the General Obligation Bonds, Election of 2014, Series 2015 maturing in 2023, 2024, 2025, and 2026. The principal payments of the general obligation refunding bonds will begin in September 2021, and are to be made annually thereafter, and interest payments are made semi-annually and will begin in September 2021.

Note 17 - Restatement of Prior Year Net Position and Fund Balance

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

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance Previously Reported at June 30, 2020	\$ 1,990,855	\$ 101,217,091
Prior Period Adjustment - Implementation of GASB 84		
Reclassification of student activity funds from agency funds to a special revenue fund	1,711,350	1,711,350
Fund Balance Restated at July 1, 2020	\$ 3,702,205	\$ 102,928,441

The restatement of net position is identified as follows:

Custodial Funds

Beginning Net Position Fiduciary Funds Reported at June 30, 2020	\$ -
Reclassification of agency funds to custodial funds	28,977,230
Net Position Restated at July 1, 2020	\$ 28,977,230

Governmental Activities

Beginning Net Position Government-Wide as Previously Reported at June 30, 2020	\$ 133,482,690
Reclassification of student activity funds from agency funds to a special revenue fund	1,711,350
Net Position Restated at July 1, 2020	\$ 135,194,040

Murrieta Valley Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Local Control Funding Formula	\$ 192,226,729	\$ 208,626,379	\$ 208,628,611	\$ 2,232
Federal sources	15,960,011	43,061,510	23,302,050	(19,759,460)
Other State sources	22,687,465	43,251,318	37,696,637	(5,554,681)
Other local sources	20,476,571	20,270,945	21,496,660	1,225,715
Total revenues	<u>251,350,776</u>	<u>315,210,152</u>	<u>291,123,958</u>	<u>(24,086,194)</u>
Expenditures				
Current				
Certificated salaries	121,205,565	123,888,477	124,610,400	(721,923)
Classified salaries	42,411,336	40,334,077	42,368,716	(2,034,639)
Employee benefits	67,962,615	63,984,893	64,235,808	(250,915)
Books and supplies	6,423,954	16,563,856	15,017,357	1,546,499
Services and operating expenditures	20,235,146	21,715,421	20,847,617	867,804
Other outgo	(577,729)	(454,480)	(350,972)	(103,508)
Capital outlay	400,000	528,241	721,886	(193,645)
Debt service				
Debt service - principal	265,000	265,000	155,000	110,000
Debt service - interest and other	96,661	96,723	206,723	(110,000)
Total expenditures	<u>258,422,548</u>	<u>266,922,208</u>	<u>267,812,535</u>	<u>(890,327)</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(7,071,772)</u>	<u>48,287,944</u>	<u>23,311,423</u>	<u>(24,976,521)</u>
Other Financing Sources (Uses)				
Transfers in	-	71,859	-	(71,859)
Transfers out	(35,000)	(975,615)	(730,097)	245,518
Net financing sources (uses)	<u>(35,000)</u>	<u>(903,756)</u>	<u>(730,097)</u>	<u>173,659</u>
Net Change in Fund Balances	<u>(7,106,772)</u>	<u>47,384,188</u>	<u>22,581,326</u>	<u>(24,802,862)</u>
Fund Balance - Beginning	<u>51,961,294</u>	<u>51,961,294</u>	<u>51,961,294</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 44,854,522</u>	<u>\$ 99,345,482</u>	<u>\$ 74,542,620</u>	<u>\$ (24,802,862)</u>

Murrieta Valley Unified School District
 Budgetary Comparison Schedule – Cafeteria Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Federal sources	\$ 4,852,444	\$ 4,857,119	\$ 4,879,701	\$ 22,582
Other State sources	323,965	308,938	352,070	43,132
Other local sources	3,688,573	7,000	7,345	345
Total revenues	<u>8,864,982</u>	<u>5,173,057</u>	<u>5,239,116</u>	<u>66,059</u>
Expenditures				
Current				
Classified salaries	2,842,331	2,660,259	2,717,933	(57,674)
Employee benefits	1,121,169	1,069,217	1,072,767	(3,550)
Books and supplies	4,375,796	2,905,019	2,743,455	161,564
Services and operating expenditures	163,900	84,682	83,666	1,016
Other outgo	400,160	305,506	303,004	2,502
Total expenditures	<u>8,903,356</u>	<u>7,024,683</u>	<u>6,920,825</u>	<u>103,858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(38,374)</u>	<u>(1,851,626)</u>	<u>(1,681,709)</u>	<u>(37,799)</u>
Other Financing Sources (Uses)				
Transfers in	35,000	641,493	574,032	(67,461)
Net Change in Fund Balances	(3,374)	(1,210,133)	(1,107,677)	102,456
Fund Balance - Beginning	<u>1,210,133</u>	<u>1,210,133</u>	<u>1,210,133</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,206,759</u>	<u>\$ -</u>	<u>\$ 102,456</u>	<u>\$ 102,456</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 1,110,326	\$ 1,439,321	\$ 1,331,568	\$ 1,295,930
Interest	382,421	616,498	556,093	553,258
Difference between expected and actual experience	-	958,747	-	-
Changes of assumptions	(448,341)	(2,155,332)	366,351	-
Benefit payments	<u>(1,255,081)</u>	<u>(597,285)</u>	<u>(566,792)</u>	<u>(544,992)</u>
Net change in total OPEB liability	(210,675)	261,949	1,687,220	1,304,196
Total OPEB Liability - Beginning	<u>17,455,148</u>	<u>17,193,199</u>	<u>15,505,979</u>	<u>14,201,783</u>
Total OPEB Liability - Ending	<u>\$ 17,244,473</u>	<u>\$ 17,455,148</u>	<u>\$ 17,193,199</u>	<u>\$ 15,505,979</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS					
Proportion of the net pension liability	0.2135%	0.2147%	0.2005%	0.1941%	0.1983%
Proportionate share of the net pension liability	\$ 206,925,928	\$ 193,876,835	\$ 184,263,020	\$ 179,531,862	\$ 160,424,204
State's proportionate share of the net pension liability	106,670,340	105,772,757	105,499,197	106,209,533	91,326,638
Total	<u>\$ 313,596,268</u>	<u>\$ 299,649,592</u>	<u>\$ 289,762,217</u>	<u>\$ 285,741,395</u>	<u>\$ 251,750,842</u>
Covered payroll	<u>\$ 121,618,570</u>	<u>\$ 113,802,187</u>	<u>\$ 108,376,833</u>	<u>\$ 106,363,744</u>	<u>\$ 99,627,036</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>170.14%</u>	<u>170.36%</u>	<u>170.02%</u>	<u>168.79%</u>	<u>161.02%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
CalPERS					
Proportion of the net pension liability	0.2917%	0.2936%	0.2931%	0.3042%	0.2995%
Proportionate share of the net pension liability	\$ 89,511,451	\$ 85,566,262	\$ 78,146,289	\$ 72,630,215	\$ 59,154,321
Covered payroll	<u>\$ 44,025,565</u>	<u>\$ 41,102,840</u>	<u>\$ 39,576,170</u>	<u>\$ 37,881,264</u>	<u>\$ 35,991,779</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>203.32%</u>	<u>208.18%</u>	<u>197.46%</u>	<u>191.73%</u>	<u>164.36%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

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

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

	<u>2016</u>	<u>2015</u>
CalSTRS		
Proportion of the net pension liability	<u>0.2090%</u>	<u>0.1888%</u>
Proportionate share of the net pension liability	<u>\$ 140,719,047</u>	<u>\$ 110,308,530</u>
State's proportionate share of the net pension liability	<u>74,424,863</u>	<u>66,609,053</u>
Total	<u>\$ 215,143,910</u>	<u>\$ 176,917,583</u>
Covered payroll	<u>\$ 96,586,757</u>	<u>103,962,473</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>145.69%</u>	<u>106.10%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2015	June 30, 2014
CalPERS		
Proportion of the net pension liability	<u>0.2956%</u>	<u>0.2894%</u>
Proportionate share of the net pension liability	<u>\$ 43,578,380</u>	<u>\$ 32,854,704</u>
Covered payroll	<u>\$ 33,272,135</u>	<u>34,228,832</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>130.98%</u>	<u>95.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2015	June 30, 2014

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

Murrieta Valley Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS					
Contractually required contribution	\$ 19,641,399	\$ 20,081,671	\$ 18,526,996	\$ 15,638,777	\$ 13,380,559
Less contributions in relation to the contractually required contribution	<u>19,641,399</u>	<u>20,081,671</u>	<u>18,526,996</u>	<u>15,638,777</u>	<u>13,380,559</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 121,618,570</u>	<u>\$ 117,436,673</u>	<u>\$ 113,802,187</u>	<u>\$ 108,376,833</u>	<u>\$ 106,363,744</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>
CalPERS					
Contractually required contribution	\$ 9,113,292	\$ 8,295,806	\$ 7,423,995	\$ 6,146,575	\$ 5,260,950
Less contributions in relation to the contractually required contribution	<u>9,113,292</u>	<u>8,295,806</u>	<u>7,423,995</u>	<u>6,146,575</u>	<u>5,260,950</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 44,025,565</u>	<u>\$ 42,065,849</u>	<u>\$ 41,102,840</u>	<u>\$ 39,576,170</u>	<u>\$ 37,881,264</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>

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

Murrieta Valley Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2016	2015
CaSTRS		
Contractually required contribution	\$ 10,689,981	\$ 8,576,904
Less contributions in relation to the contractually required contribution	10,689,981	8,576,904
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 99,627,036	\$ 96,586,757
Contributions as a percentage of covered payroll	10.73%	8.88%
CaIPERS		
Contractually required contribution	\$ 4,263,946	\$ 3,916,463
Less contributions in relation to the contractually required contribution	4,263,946	3,916,463
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 35,991,779	\$ 33,272,135
Contributions as a percentage of covered payroll	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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.

These schedules present 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, 2021, the District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 267,897,823	\$ 268,542,632	\$ 644,809

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 2.20% to 2.16% 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.

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.

Murrieta Valley Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	\$ 2,561,677
School Breakfast Program - Especially Needy Breakfast	10.553	13526	1,606,116
Food Distribution	10.555	13524	<u>557,749</u>
Total Child Nutrition Cluster			<u>4,725,542</u>
Passed Through Riverside County Office of Education			
Forest Service Schools and Roads Cluster			
Forest Reserve Funds	10.665	10044	<u>14,789</u>
Total U.S. Department of Agriculture			<u>4,740,331</u>
U.S. Department of Treasury			
Passed Through CDE			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	25516	<u>11,438,716</u>
U.S. Department of Education			
Passed Through Riverside County Special Education Local Plan Area (SELPA)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	5,000,341
Special Education Grants to States - Private Schools ISPs	84.027	10115	10,088
Special Education Grants to States - Mental Health	84.027A	15197	137,397
Special Education Preschool Grants	84.173	13430	<u>91,683</u>
Total Special Education Cluster			<u>5,239,509</u>
Passed Through CDE			
Adult Education - Basic Grants to States	84.002	14508	18,310
Adult Education - Basic Grants to States	84.002	13978	35,260
Adult Education - Basic Grants to States	84.002	14109	<u>16,576</u>
Subtotal			<u>70,146</u>
Title I Grants to Local Educational Agencies	84.010	14329	1,946,720
School Improvement Funding for LEAs	84.010	15438	<u>93,247</u>
Subtotal			<u>2,039,967</u>

Murrieta Valley Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
COVID-19 Governor’s Emergency Education Relief (GEER) Fund	84.425C	15517	\$ 1,767,363
COVID-19 Elementary and Secondary School Emergency Relief (ESSER I) Fund	84.425D	15536	1,792,015
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	160,083
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	15535	<u>154,159</u>
Subtotal			<u>3,873,620</u>
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	224,060
English Language Acquisition State Grants - LEP	84.365	14346	158,398
Student Support and Academic Enrichment Program	84.424	15396	328,179
Career and Technical Education - Basic Grants to States	84.048	14894	111,704
Rehabilitation Services Vocational Rehabilitation Grants to States - Workability II	84.126	10006	25,479
Education for Homeless Children and Youth, Subtitle VII-B Mckinney-Vento Act	84.196	14332	<u>1,790</u>
Total U.S. Department of Education			<u>12,072,852</u>
U.S. Department of Health and Human Services			
Passed Through California Department of Health and Human Services			
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	<u>1,252,586</u>
Total Federal Financial Assistance			<u><u>\$ 29,504,485</u></u>

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. There were no boundary changes during the year.

Governing Board		
Member	Office	Term Expires
Linda Lunn	President	November 2024
Oscar Rivas	Clerk	November 2022
Kris Thomasian	Member	November 2022
Ken Dickson	Member	November 2024
Paul Diffley	Member	November 2024

Administration	
Name	Title
Patrick Kelley	Superintendent
William Olien	Deputy Superintendent
Darren Daniel	Assistant Superintendent, Human Resources
Mary Walters	Assistant Superintendent, Educational Services
James Whittington	Chief Financial Officer

Murrieta Valley Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

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

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

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Murrieta Valley Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues	\$ 271,735,103	\$ 291,123,958	\$ 262,216,917	\$ 261,049,831
Other sources and transfers in	-	-	327,977	342,801
Total Revenues and Other Sources	271,735,103	291,123,958	262,544,894	261,392,632
Expenditures	275,189,831	267,812,535	260,002,552	252,232,809
Other uses and transfers out	-	730,097	17,377	-
Total Expenditures and Other Uses	275,189,831	268,542,632	260,019,929	252,232,809
Increase/(Decrease) in Fund Balance	(3,454,728)	22,581,326	2,524,965	9,159,823
Ending Fund Balance	\$ 71,087,892	\$ 74,542,620	\$ 51,961,294	\$ 49,436,329
Available Reserves ²	\$ 46,033,919	\$ 46,173,799	\$ 31,896,953	\$ 23,462,367
Available Reserves as a Percentage of Total Outgo	16.73%	17.19%	12.27%	9.30%
Long-Term Liabilities	N/A	\$ 538,392,174	\$ 536,073,468	\$ 519,431,563
K-12 Average Daily Attendance at P-2	22,340	22,340	22,340	22,112

The General Fund balance has increased by \$25,106,291 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$3,454,728 (4.63%). 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 and anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$18,960,611 over the past two years.

Average daily attendance has increased by 228 over the past two years. No additional growth or decline in ADA is anticipated during fiscal year 2021-2022.

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

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

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

	Student Activity Fund	Adult Education Fund	Child Development Fund
Assets			
Deposits and investments	\$ 1,567,515	\$ 260,071	\$ 234,871
Receivables	11,294	128,337	549,582
Due from other funds	-	-	156,067
Stores inventories	174,505	-	-
Total assets	\$ 1,753,314	\$ 388,408	\$ 940,520
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 65,980	\$ 7,490	\$ 373,568
Due to other funds	-	16,907	212,213
Unearned revenue	-	-	193,912
Total liabilities	65,980	24,397	779,693
Fund Balances			
Restricted	1,687,334	12,436	160,827
Committed	-	351,575	-
Assigned	-	-	-
Total fund balances	1,687,334	364,011	160,827
Total liabilities and fund balances	\$ 1,753,314	\$ 388,408	\$ 940,520

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

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ -	\$ 589,947	\$ 300,933	\$ 2,953,337
Receivables	-	471	-	689,684
Due from other funds	105	-	-	156,172
Stores inventories	-	-	-	174,505
Total assets	\$ 105	\$ 590,418	\$ 300,933	\$ 3,973,698
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 447,038
Due to other funds	105	-	-	229,225
Unearned revenue	-	-	-	193,912
Total liabilities	105	-	-	870,175
Fund Balances				
Restricted	-	-	300,933	2,161,530
Committed	-	-	-	351,575
Assigned	-	590,418	-	590,418
Total fund balances	-	590,418	300,933	32,077,111
Total liabilities and fund balances	\$ 105	\$ 590,418	\$ 300,933	\$ 32,947,286

Murrieta Valley Unified School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund
Revenues			
Federal sources	\$ -	\$ 70,146	\$ 1,410,375
Other State sources	-	299,388	2,085,563
Other local sources	937,228	197,770	421,467
Total revenues	<u>937,228</u>	<u>567,304</u>	<u>3,917,405</u>
Expenditures			
Current			
Instruction	-	142,295	2,011,423
Instruction-related activities			
Supervision of instruction	-	-	375,368
School site administration	-	167,858	-
Pupil services			
All other pupil services	-	72,086	-
Administration			
All other administration	-	13,985	212,190
Plant services	-	-	-
Ancillary services	961,244	-	-
Community services	-	-	1,763,723
Enterprise services	-	16,727	-
Facility acquisition and construction	-	-	38,683
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	<u>961,244</u>	<u>412,951</u>	<u>4,401,387</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(24,016)</u>	<u>154,353</u>	<u>(483,982)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	156,065
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>156,065</u>
Net Change in Fund Balances	(24,016)	154,353	(327,917)
Fund Balance - Beginning	-	209,658	488,744
Restatement (Note 17)	1,711,350	-	-
Fund Balance - Beginning, as restated	<u>1,711,350</u>	<u>209,658</u>	<u>488,744</u>
Fund Balance - Ending	<u>\$ 1,687,334</u>	<u>\$ 364,011</u>	<u>\$ 160,827</u>

Murrieta Valley Unified School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2021

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ 1,480,521
Other State sources	6,345,477	-	-	8,730,428
Other local sources	105	3,158	785,721	2,345,449
Total revenues	6,345,582	3,158	785,721	12,556,398
Expenditures				
Current				
Instruction	-	-	-	2,153,718
Instruction-related activities				
Supervision of instruction	-	-	-	375,368
School site administration	-	-	-	167,858
Pupil services				
All other pupil services	-	-	-	72,086
Administration				
All other administration	-	-	-	226,175
Plant services	-	404,318	-	404,318
Ancillary services	-	-	-	961,244
Community services	-	-	-	1,763,723
Enterprise services	-	-	-	16,727
Facility acquisition and construction	-	-	-	38,683
Debt service				
Principal	-	-	110,000	110,000
Interest and other	-	-	675,663	675,663
Total expenditures	-	404,318	785,663	6,965,563
Excess (Deficiency) of Revenues Over Expenditures	6,345,582	(401,160)	58	5,590,835
Other Financing Sources (Uses)				
Transfers in	-	2,838	-	158,903
Transfers out	(6,345,582)	-	(2,838)	(6,348,420)
Net Financing Sources (Uses)	(6,345,582)	2,838	(2,838)	(6,189,517)
Net Change in Fund Balances	-	(398,322)	(2,780)	(598,682)
Fund Balance - Beginning	-	988,740	303,713	1,990,855
Restatement	-	-	-	1,711,350
Fund Balance - Beginning, as restated	-	988,740	303,713	3,702,205
Fund Balance - Ending	\$ -	\$ 590,418	\$ 300,933	\$ 3,103,523

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Murrieta Valley Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in fund balance of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had food commodities totaling \$1,352 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, One-time Stipend funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the General Fund.

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 29,662,272
COVID-19 Child Care and Development Block Grant	93.575	(157,787)
Total schedule of expenditures of federal awards		\$ 29,504,485

Local Education Agency Organization Structure

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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.

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
June 30, 2021

Murrieta Valley Unified School District



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

To the Board of Education
Murrieta Valley Unified School District
Murrieta, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murrieta Valley Unified School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Murrieta Valley Unified School District’s basic financial statements and have issued our report thereon dated November 5, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and Note 17 to the financial statements, Murrieta Valley Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Rancho Cucamonga, California
November 5, 2021



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

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the District's internal control over compliance.

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

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

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

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

Rancho Cucamonga, California
November 5, 2021



Independent Auditor's Report on State Compliance

To the Board of Education
Murrieta Valley Unified School District
Murrieta, California

Report on State Compliance

We have audited the Murrieta Valley Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

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

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

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

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

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

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

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

Unmodified Opinion

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

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

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

Rancho Cucamonga, California
November 5, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Murrieta Valley Unified School District

Financial Statements

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

Federal Awards

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

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19 Coronavirus Relief Fund (CRF)	20.019
Special Education Cluster	84.027, 84.027A, 84.173
COVID-19 Educational Stabilization Funds (ESF)	84.425C, 84.425D
Dollar threshold used to distinguish between type A and type B programs	\$885,135
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

None reported.

None reported.

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