



Financial Statements
June 30, 2020

Murrieta Valley Unified School District



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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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 page 72, schedule of changes in the District's net OPEB liability and related ratios on page 73, schedule of the District's proportionate share of the net pension liability on page 74, and the schedule of District contributions on page 75, 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 nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and 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 17, 2020 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.

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

Rancho Cucamonga, California
November 17, 2020



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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, 2020, with comparative information from 2019. 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 Murrieta Valley Unified School 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. They present governmental activities separately. These statements include all assets of the District, as well as all liabilities (including long-term liabilities). 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 decreased by \$25,541,360 over the prior year for a new net position of \$133,482,690.
- For 2019-2020 the General Fund revenues totaled \$262,216,917 and expenditures totaled \$260,002,552. Expenditures included negotiated salary agreements for all employee groups. In addition, expenditures included meeting the requirements of the District Local Control Accountability Plan.
- 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 increased by 219 students over prior year California Longitudinal Pupil Achievement Data System (CALPADS) to 23,470.
- The District filed a positive status with both its First and Second Interim reports in 2019-2020.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$133,482,690 and \$159,024,050 for the fiscal years ended June 30, 2020 and 2019, respectively. Of this amount, \$(228,119,131) was unrestricted deficit at June 30, 2020. 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	
	2020	2019
Assets		
Current and other assets	\$ 118,532,498	\$ 101,635,898
Capital assets	505,322,960	509,924,688
Total assets	<u>623,855,458</u>	<u>611,560,586</u>
Deferred outflows of resources	<u>87,119,631</u>	<u>85,005,080</u>
Liabilities		
Current liabilities	19,427,099	9,421,747
Long-term liabilities	536,073,468	509,950,133
Total liabilities	<u>555,500,567</u>	<u>519,371,880</u>
Deferred inflows of resources	<u>21,991,832</u>	<u>18,169,736</u>
Net Position		
Net investment in capital assets	328,473,981	297,430,358
Restricted	33,127,840	39,505,722
Unrestricted	<u>(228,119,131)</u>	<u>(177,912,030)</u>
Total net position	<u>\$ 133,482,690</u>	<u>\$ 159,024,050</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 13. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 4,552,666	\$ 4,991,403
Operating grants and contributions	50,681,866	47,058,874
General revenues		
Federal and State aid not restricted	156,379,454	154,327,525
Property taxes	78,529,683	74,109,364
Other general revenues	7,951,188	19,860,283
Total revenues	298,094,857	300,347,449
Expenses		
Instruction-related	219,938,373	223,599,238
Pupil services	30,986,988	29,803,874
Administration	29,495,506	16,158,575
Plant services	27,748,980	33,395,471
Other	15,466,370	15,523,277
Total expenses	323,636,217	318,480,435
Change in net position	\$ (25,541,360)	\$ (18,132,986)

Governmental Activities

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was \$323,636,217. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$78,529,683 because the cost was paid by those who benefited from the programs \$4,552,666 or by other governments and organizations who subsidized certain programs with grants and contributions of \$50,681,866. We paid for the remaining "public benefit" portion of our governmental activities, \$156,379,454 in Federal and State aid, and \$7,951,188 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	
	2020	2019	2020	2019
Instruction	\$ 219,938,373	\$ 223,599,238	\$ (182,135,219)	\$ (190,962,489)
Pupil services	30,986,988	29,803,874	(21,067,508)	(18,822,488)
Administration	29,495,506	16,158,575	(28,483,252)	(14,900,250)
Plant services	27,748,980	33,395,471	(26,935,257)	(32,254,747)
All other services	15,466,370	15,523,277	(9,780,449)	(9,490,184)
Total	\$ 323,636,217	\$ 318,480,435	\$ (268,401,685)	\$ (266,430,158)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$101,217,091 (Table 4) in 2020, compared to \$94,264,441 in 2019.

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	\$ 49,436,329	\$ 262,544,894	\$ 260,019,929	\$ 51,961,294
Building	3,981,081	11,842,508	4,641,975	11,181,614
Capital Project for Blended Component Unit	8,673,792	661,997	4,534,909	4,800,880
Bond Interest and Redemption	22,343,432	20,793,674	18,964,398	24,172,708
Non-major Governmental	9,829,807	19,286,993	20,016,205	9,100,595
Total	\$ 94,264,441	\$ 315,130,066	\$ 308,177,416	\$ 101,217,091

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$505,322,960 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment.

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 38,231,725	\$ 38,982,044
Buildings and improvements	461,148,516	466,881,184
Equipment	5,942,719	4,061,460
	\$ 505,322,960	\$ 509,924,688

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

Long-Term Liabilities

At the end of this year, the District had \$536,073,468 in outstanding long-term liabilities. The long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 194,989,053	\$ 192,536,870
Certificates of participation	22,770,000	23,325,000
Unamortized premiums/(discounts)	12,220,640	12,181,050
Capital leases	226,107	402,713
Early retirement liabilities	8,124,908	1,507,233
Compensated absences	844,515	394,759
(Total) OPEB liability	17,455,148	17,193,199
Aggregate net pension liability	279,443,097	262,409,309
	\$ 536,073,468	\$ 509,950,133

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2020-2021 year, the District Board of Education and management utilized the Governor's May Revise assumptions. The May Revise assumptions included projected financial impacts of COVID-19. The state enacted budget deviated significantly from the May Revise and as required by Education Code 42127, the District prepared a 45 day budget revision.

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula
 - a. Student enrollment projected the same as prior year equal to 23,470 students;
 - b. Funding based on 2019-2020 P2 ADA, as outlined in Senate Bill 98 equal to 22,340;
 - c. Cost of Living Adjustment equal to 0%;
 - d. Unduplicated Pupil Percentage 38.34%;
2. Federal revenues maintained at prior year funding levels.
 - a. Increases reflecting one-time funds under the Coronavirus Aid Relief and Economic funding (CARES Act).
 - b. All other categorical revenues projected at prior year level.

Expenditures are based on the following staffing ratios for general education:

- a. K-3 Grades 27:1;
- b. 4-5 Grades 32:1;
- c. 6-8 Grades 31:1;
- d. 9-12 Grades 31:1.

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

1. Employee step and column increases.
2. Increases to the Public Employees Retirement System Employer Rate.
3. Increases in expenditures aligned to one-time funds for the Coronavirus Aid Relief and Economic funding (CARES Act).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Murrieta Valley Unified School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 83,477,119
Receivables	34,922,495
Stores inventories	132,884
Capital assets not depreciated	38,231,725
Capital assets, net of accumulated depreciation	467,091,235
Total assets	623,855,458
Deferred Outflows of Resources	
Deferred charge on refunding	4,345,248
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	1,185,332
Deferred outflows of resources related to pensions	81,589,051
Total deferred outflows of resources	87,119,631
Liabilities	
Accounts payable	16,530,418
Interest payable	2,111,692
Unearned revenue	784,989
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	16,672,604
Long-term liabilities other than OPEB and pensions due in more than one year	222,502,619
Total other postemployment benefits liability	17,455,148
Aggregate net pension liability	279,443,097
Total liabilities	555,500,567
Deferred Inflows of Resources	
Deferred inflows of resources related to other postemployment benefits (OPEB) liability	1,985,620
Deferred inflows of resources related to pensions	20,006,212
Total deferred inflows of resources	21,991,832
Net Position	
Net investment in capital assets	328,473,981
Restricted for	
Debt service	22,364,729
Capital projects	5,899,607
Educational programs	3,294,182
Other restrictions	1,569,322
Unrestricted	(228,119,131)
Total net position	\$ 133,482,690

Murrieta Valley Unified School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 195,335,231	\$ 278,083	\$ 34,258,856	\$ (160,798,292)
Instruction-related activities				
Supervision of instruction	7,053,354	29,614	2,408,923	(4,614,817)
Instructional library, media, and technology	1,385,112	-	40,020	(1,345,092)
School site administration	16,164,676	-	787,658	(15,377,018)
Pupil services				
Home-to-school transportation	4,350,676	-	(43,835)	(4,394,511)
Food services	7,526,201	2,459,163	3,958,764	(1,108,274)
All other pupil services	19,110,111	-	3,545,388	(15,564,723)
Administration				
Data processing	4,124,294	-	-	(4,124,294)
All other administration	25,371,212	191,850	820,404	(24,358,958)
Plant services	27,748,980	120,843	692,880	(26,935,257)
Ancillary services	3,510,233	-	150,007	(3,360,226)
Community services	2,004,316	315,684	513,624	(1,175,008)
Enterprise services	249,709	-	10,217	(239,492)
Interest on long-term liabilities	9,601,922	-	-	(9,601,922)
Other outgo	100,190	1,157,429	3,538,960	4,596,199
Total governmental activities	\$ 323,636,217	\$ 4,552,666	\$ 50,681,866	(268,401,685)
General Revenues and Subventions				
Property taxes, levied for general purposes				58,606,712
Property taxes, levied for debt service				18,972,395
Taxes levied for other specific purposes				950,576
Federal and State aid not restricted to specific purposes				156,379,454
Interest and investment earnings				858,296
Miscellaneous				7,092,892
Subtotal, general revenues				242,860,325
Change in Net Position				(25,541,360)
Net Position - Beginning				159,024,050
Net Position - Ending				\$ 133,482,690

Murrieta Valley Unified School District

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Building Fund	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 33,852,300	\$ 10,917,527	\$ 8,325,522	\$ 24,172,708	\$ 6,209,062	\$ 83,477,119
Receivables	32,823,036	33,648	-	-	2,065,811	34,922,495
Due from other funds	608,971	1,000,025	-	-	3,549,791	5,158,787
Stores inventories	-	-	-	-	132,884	132,884
Total assets	\$ 67,284,307	\$ 11,951,200	\$ 8,325,522	\$ 24,172,708	\$ 11,957,548	\$ 123,691,285
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 13,906,930	\$ 769,586	\$ -	\$ -	\$ 1,853,902	\$ 16,530,418
Due to other funds	1,025,174	-	3,524,642	-	608,971	5,158,787
Unearned revenue	390,909	-	-	-	394,080	784,989
Total liabilities	15,323,013	769,586	3,524,642	-	2,856,953	22,474,194
Fund Balances						
Nonspendable	15,000	-	-	-	147,264	162,264
Restricted	3,294,182	11,181,614	4,800,880	24,172,708	7,772,642	51,222,026
Committed	-	-	-	-	191,949	191,949
Assigned	16,755,159	-	-	-	988,740	17,743,899
Unassigned	31,896,953	-	-	-	-	31,896,953
Total fund balances	51,961,294	11,181,614	4,800,880	24,172,708	9,100,595	101,217,091
Total liabilities and fund balances	\$ 67,284,307	\$ 11,951,200	\$ 8,325,522	\$ 24,172,708	\$ 11,957,548	\$ 123,691,285

Murrieta Valley Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

Total Fund Balance - Governmental Funds \$ 101,217,091

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	\$ 702,764,542
Accumulated depreciation is	<u>(197,441,582)</u>

Net capital assets	505,322,960
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In governmental funds, unmatured interest on long-term
 liabilities is recognized in the period when it is due. On the
 government-wide financial statements, unmatured interest on
 long-term liabilities is recognized when it is incurred. (2,111,692)

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	4,345,248
Other postemployment benefits	1,185,332
Net pension liability	<u>81,589,051</u>

Total deferred outflows of resources	87,119,631
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Deferred inflows of resources represent an acquisition of net position
 that applies to a future period and is not reported in the governmental
 funds. Deferred inflows of resources amount to and related to

Other postemployment benefits	(1,985,620)
Net pension liability	<u>(20,006,212)</u>

Total deferred inflows of resources	(21,991,832)
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Net pension liability is not due and payable in the current period,
 and is not reported as a liability in the funds. (279,443,097)

The District's OPEB liability is not due and payable in the current period,
 and is not reported as a liability in the funds. (17,455,148)

Murrieta Valley Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

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	\$ (161,959,974)
Certificates of participation	(22,770,000)
Unamortized debt premiums	(12,516,593)
Unamortized debt discounts	295,953
Capital leases payable	(226,107)
Compensated absences (vacations)	(844,515)
Special termination benefits payable	(8,124,908)

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

(33,029,079)

Total long-term liabilities

\$ (239,175,223)

Total net position - governmental activities

\$ 133,482,690

Murrieta Valley Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Building 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	\$ 208,623,144	\$ -	\$ -	\$ -	\$ -	\$ 208,623,144
Federal sources	8,512,214	-	-	-	4,820,799	13,333,013
Other State sources	24,664,409	-	-	128,857	2,625,147	27,418,413
Other local sources	20,417,150	131,508	661,997	19,165,091	7,346,967	47,722,713
Total revenues	262,216,917	131,508	661,997	19,293,948	14,792,913	297,097,283
Expenditures						
Current						
Instruction	167,091,566	-	-	-	2,347,899	169,439,465
Instruction-related activities						
Supervision of instruction	6,216,354	-	-	-	321,945	6,538,299
Instructional library, media, and technology	1,264,485	-	-	-	-	1,264,485
School site administration	14,685,692	-	-	-	157,782	14,843,474
Pupil services						
Home-to-school transportation	4,006,624	-	-	-	-	4,006,624
Food services	-	-	-	-	7,177,320	7,177,320
All other pupil services	17,613,735	-	-	-	66,045	17,679,780
Administration						
Data processing	3,370,582	-	-	-	-	3,370,582
All other administration	13,329,527	-	58,206	-	1,245,977	14,633,710
Plant services	22,939,724	1,456,870	-	-	636,799	25,033,393
Ancillary services	3,361,498	-	-	-	-	3,361,498
Community services	229,951	-	-	-	1,653,272	1,883,223
Other outgo	100,190	-	-	-	-	100,190
Enterprise services	-	-	-	-	240,615	240,615
Facility acquisition and construction	5,311,933	3,185,105	-	-	4,752,999	13,250,037
Debt service						
Principal	366,694	-	-	13,175,000	364,912	13,906,606
Interest and other	113,997	-	-	5,789,398	722,663	6,626,058
Total expenditures	260,002,552	4,641,975	58,206	18,964,398	19,688,228	303,355,359
Excess (Deficiency) of Revenues Over Expenditures	2,214,365	(4,510,467)	603,791	329,550	(4,895,315)	(6,258,076)

Murrieta Valley Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

Other Financing Sources (Uses)						
Transfers in	\$ 327,977	\$ -	\$ -	\$ -	\$ 4,494,080	\$ 4,822,057
Other sources	-	11,711,000	-	1,499,726	-	13,210,726
Transfers out	(17,377)	-	(4,476,703)	-	(327,977)	(4,822,057)
Net Financing Sources (Uses)	<u>310,600</u>	<u>11,711,000</u>	<u>(4,476,703)</u>	<u>1,499,726</u>	<u>4,166,103</u>	<u>13,210,726</u>
Net Change in Fund Balances	2,524,965	7,200,533	(3,872,912)	1,829,276	(729,212)	6,952,650
Fund Balance - Beginning	<u>49,436,329</u>	<u>3,981,081</u>	<u>8,673,792</u>	<u>22,343,432</u>	<u>9,829,807</u>	<u>94,264,441</u>
Fund Balance - Ending	<u>\$ 51,961,294</u>	<u>\$ 11,181,614</u>	<u>\$ 4,800,880</u>	<u>\$ 24,172,708</u>	<u>\$ 9,100,595</u>	<u>\$ 101,217,091</u>

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, 2020

Total Net Change in Fund Balances - Governmental Funds \$ 6,952,650

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	\$ (16,446,678)	
Capital outlays	<u>11,844,950</u>	
Net expense adjustment		(4,601,728)

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (3,627,183)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement earned and used. (7,067,431)

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. (17,148,416)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (1,396,451)

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, 2020

Proceeds received from Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	\$ (12,000,000)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(1,210,726)
Premium amortization	1,185,229
Discount amortization	(14,093)
Deferred amount 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	13,175,000
Certificates of participation	555,000
Capital leases	176,606
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.	<u>(61,402)</u>
Change in net position of governmental activities	<u><u>\$ (25,541,360)</u></u>

Murrieta Valley Unified School District
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2020

	Agency Funds			Total Fiduciary Funds
	Associated Student Bodies	Debt Service Fund for Special Tax Bonds	Funds Held On Behalf of Other Agencies	
Assets				
Deposits and investments	\$ 1,664,648	\$ 28,977,230	\$ 146,119	\$ 30,787,997
Receivables	62,253	-	-	62,253
Stores inventories	121,639	-	-	121,639
Other assets	36,083	-	-	36,083
	<u>\$ 1,884,623</u>	<u>\$ 28,977,230</u>	<u>\$ 146,119</u>	<u>\$ 31,007,972</u>
Liabilities				
Accounts payable	\$ 173,276	\$ -	\$ -	\$ 173,276
Due to student groups	1,711,347	-	-	1,711,347
Due to bond holders	-	28,977,230	-	28,977,230
Due to other agencies	-	-	146,119	146,119
	<u>\$ 1,884,623</u>	<u>\$ 28,977,230</u>	<u>\$ 146,119</u>	<u>\$ 31,007,972</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 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 financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs and Special Tax Revenue Bonds issued for the PFAs are not included in the

long-term 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.

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

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

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

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements, because they do not represent resources of the District.

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.

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 of resources for deferred charges on refunding, 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, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

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 \$33,127,840 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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

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

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

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

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

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

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

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

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

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

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

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

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

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

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	\$ 83,477,119
Fiduciary funds	<u>30,787,997</u>
Total deposits and investments	<u><u>\$ 114,265,116</u></u>

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

Cash on hand and in banks	\$ 3,334,557
Cash in revolving	29,380
Investments	<u>110,901,179</u>
Total deposits and investments	<u><u>\$ 114,265,116</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	\$ 37,752,584	365
County Pool	73,148,595	409
Total	\$ 110,901,179	

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	\$ 37,752,584	N/A	\$ 37,752,584	\$ -
County Pool	73,148,595	N/A	-	73,148,595
Total	\$ 110,901,179		\$ 37,752,584	\$ 73,148,595

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, 2020, the District's bank balance of \$3,980,261 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 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District’s own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

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

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
County Pool	<u>\$ 73,148,595</u>	<u>\$ 73,148,595</u>

Note 4 - Receivables

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Federal Government					
Categorical aid	\$ 5,275,497	\$ -	\$ 495,675	\$ 5,771,172	\$ -
State Government					
LCFF apportionment	21,498,453	-	-	21,498,453	-
Categorical aid	595,615	-	183,899	779,514	-
Lottery	1,146,167	-	-	1,146,167	-
Other State	2,590,814	-	-	2,590,814	-
Local Government					
Interest	115,033	33,648	14,247	162,928	-
Other local sources	1,601,457	-	1,371,990	2,973,447	62,253
Total	\$ 32,823,036	\$ 33,648	\$ 2,065,811	\$ 34,922,495	\$ 62,253

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 36,041,932	\$ -	\$ -	\$ 36,041,932
Construction in progress	2,940,112	98,587	(848,906)	2,189,793
	38,982,044	98,587	(848,906)	38,231,725
Capital assets being depreciated				
Buildings and improvements	638,193,431	9,800,663	-	647,994,094
Furniture and equipment	13,765,349	2,794,606	(21,232)	16,538,723
	651,958,780	12,595,269	(21,232)	664,532,817
Total capital assets	690,940,824	12,693,856	(870,138)	702,764,542
Accumulated depreciation				
Buildings and improvements	(171,312,247)	(15,533,331)	-	(186,845,578)
Furniture and equipment	(9,703,889)	(913,347)	21,232	(10,596,004)
	(181,016,136)	(16,446,678)	21,232	(197,441,582)
Governmental activities capital assets, net	\$ 509,924,688	\$ (3,752,822)	\$ (848,906)	\$ 505,322,960

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 15,874,577
Home-to-school transportation	53,320
Food services	36,073
All other administration	424,211
Plant services	58,497
	\$ 16,446,678
Total depreciation expenses governmental activities	\$ 16,446,678

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

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

Due To	Due From			Total
	General Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 608,971	\$ 608,971
Building Fund	1,000,025	-	-	1,000,025
Non-Major Governmental Funds	25,149	3,524,642	-	3,549,791
Total	\$ 1,025,174	\$ 3,524,642	\$ 608,971	\$ 5,158,787

The balance of \$1,000,025 is due to the Building Fund from the General Fund for reimbursement of costs.

The balance of \$3,524,642 is due to the Capital Facilities Non-Major Governmental Fund from the Capital Projects Fund for Blended Component Units for reimbursement of construction costs.

A balance of \$346,198 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect costs.

A balance of \$222,340 is due to the General Fund from Child Development Non-Major Governmental Fund for indirect 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, 2020, consisted of the following:

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for uncollected nutrition meal sales.	\$ 17,377
The Capital Projects Fund for Blended Component Units transferred to the Capital Facilities Non-Major Governmental Fund for reimbursement of construction cost.	4,476,703
The Capital Facilities Non-Major Governmental Fund transferred to the General Fund for reimbursement of capital project costs.	<u>327,977</u>
Total	<u><u>\$ 4,822,057</u></u>

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 7 - Accounts Payable

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Vendor payables	\$ 1,617,988	\$ 153,931	\$ 324,764	\$ 2,096,683	\$ 173,276
State LCFF apportionment	11,638,332	-	-	11,638,332	-
Salaries and benefits	296,230	-	1,529,138	1,825,368	-
Construction	354,380	615,655	-	970,035	-
Total	<u><u>\$ 13,906,930</u></u>	<u><u>\$ 769,586</u></u>	<u><u>\$ 1,853,902</u></u>	<u><u>\$ 16,530,418</u></u>	<u><u>\$ 173,276</u></u>

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 140,475	\$ -	\$ 140,475
State categorical aid	186,891	113,983	300,874
Other local	63,543	280,097	343,640
Total	\$ 390,909	\$ 394,080	\$ 784,989

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

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 192,536,870	\$ 15,627,183	\$ (13,175,000)	\$ 194,989,053	\$ 13,955,000
Certificates of participation	23,325,000	-	(555,000)	22,770,000	575,000
Unamortized debt premiums	12,491,096	1,210,726	(1,185,229)	12,516,593	-
Unamortized debt discounts	(310,046)	-	14,093	(295,953)	-
Capital leases	402,713	-	(176,606)	226,107	111,377
Early retirement liabilities	1,507,233	10,156,135	(3,538,460)	8,124,908	2,031,227
Compensated absences	394,759	449,756	-	844,515	-
Total	\$ 230,347,625	\$ 27,443,800	\$ (18,616,202)	\$ 239,175,223	\$ 16,672,604

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 Educational Facilities Corporation Debt Service Fund. Payments for Capital Leases are made in the General Fund and Child Development 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.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Bonds Redeemed	Bonds Outstanding June 30, 2020
09/01/98	09/01/23	4.05-5.30%	\$ 25,999,501	\$ 21,936,135	\$ -	\$ 1,015,972	\$ (4,950,000)	\$ 18,002,107
08/29/01	09/01/23	2.25-5.31%	11,499,326	3,288,539	-	181,734	(760,000)	2,710,273
05/29/03	09/01/27	2.00-5.12%	11,884,284	488,390	-	50,841	-	539,231
09/10/08	09/01/33	3.50-5.70%	24,996,844	38,470,303	-	2,155,648	(280,000)	40,345,951
07/31/12	09/01/26	2.00-3.38%	11,425,000	7,480,000	-	-	(800,000)	6,680,000
06/20/13	09/01/29	2.00-3.50%	15,640,000	12,365,000	-	-	(935,000)	11,430,000
07/30/15	09/01/44	1.50-5.11%	38,401,818	32,773,503	-	222,988	(880,000)	32,116,491
07/30/15	09/01/26	2.00-5.00%	40,090,000	39,240,000	-	-	(3,140,000)	36,100,000
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	6,350,000	-	-	(1,430,000)	4,920,000
01/30/20	09/01/49	2.50-4.00%	12,000,000	-	12,000,000	-	-	12,000,000
				<u>\$ 192,536,870</u>	<u>\$ 12,000,000</u>	<u>\$ 3,627,183</u>	<u>\$ (13,175,000)</u>	<u>\$ 194,989,053</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
2021	\$ 1,828,177	\$ 3,846,768	\$ 5,674,945	\$ 135,055	\$ 5,810,000
2022	1,918,676	3,833,343	5,752,019	457,981	6,210,000
2023	1,962,840	3,790,435	5,753,275	796,725	6,550,000
2024	1,863,595	3,304,151	5,167,746	1,037,254	6,205,000
2025	1,589,663	1,350,287	2,939,950	755,050	3,695,000
2026-2030	7,675,323	6,671,561	14,346,884	7,403,116	21,750,000
2031-2035	13,726,575	9,567,042	23,293,617	23,591,383	46,885,000
2036-2040	2,435,125	665,492	3,100,617	4,274,383	7,375,000
Total	<u>\$ 32,999,974</u>	<u>\$ 33,029,079</u>	<u>\$ 66,029,053</u>	<u>\$ 38,450,947</u>	<u>\$ 104,480,000</u>

Murrieta Valley Unified School District

Notes to Financial Statements

June 30, 2020

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 8,145,000	\$ 5,676,906	\$ 13,821,906
2022	8,695,000	5,270,014	13,965,014
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
2026-2030	51,405,000	12,882,957	64,287,957
2031-2035	9,480,000	6,124,657	15,604,657
2036-2040	1,210,000	8,676,621	9,886,621
2041-2045	16,050,000	2,885,291	18,935,291
2046-2050	6,340,000	686,394	7,026,394
Total	<u>\$ 128,960,000</u>	<u>\$ 55,323,872</u>	<u>\$ 184,283,872</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, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2020</u>
05/01/12	08/01/27	3.20%	\$ 7,495,000	\$ 4,670,000	\$ -	\$ (450,000)	\$ 4,220,000
11/10/16	05/01/41	2.00-4.00%	19,405,000	18,655,000	-	(105,000)	18,550,000
				<u>\$ 23,325,000</u>	<u>\$ -</u>	<u>\$ (555,000)</u>	<u>\$ 22,770,000</u>

Debt Service Requirement

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 575,000	\$ 817,286	\$ 1,392,286
2022	585,000	798,784	1,383,784
2023	605,000	777,966	1,382,966
2024	645,000	756,429	1,401,429
2025	640,000	733,203	1,373,203
2026-2030	2,705,000	3,286,113	5,991,113
2031-2035	3,960,000	2,959,881	6,919,881
2036-2040	11,020,000	1,681,725	12,701,725
2041	2,035,000	76,313	2,111,313
Total	<u>\$ 22,770,000</u>	<u>\$ 11,887,700</u>	<u>\$ 34,657,700</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, 2019	\$ 414,467
Additions	-
Payments	(178,097)
Balance, July 1, 2020	\$ 236,370

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	\$ 118,185
2022	118,185
Total	236,370
Less amount representing interest	(10,263)
Present value of minimum lease payments	\$ 226,107

Leased equipment under capital leases in capital assets at June 30, 2020, include the following:

Equipment	\$ 198,185
Less accumulated depreciation	(24,773)
Total	\$ 173,412

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 313 employees participating in the plan and the District’s obligation to those retirees as of June 30, 2020, is \$8,124,908.

Future payments are as follows:

Year Ending June 30,	Annual Payment
2021	\$ 2,031,227
2022	2,031,227
2023	2,031,227
2024	2,031,227
Total	<u>\$ 8,124,908</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2020, amounted to \$844,515.

Note 10 - Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, 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	<u>\$ 17,455,148</u>	<u>\$ 1,185,332</u>	<u>\$ 1,985,620</u>	<u>\$ (261,949)</u>

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 based on projected pay-as-you-go financing requirements, and as determined annually through the agreements with the District, MTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2020, the District contributed \$597,285 to the Plan, of which \$597,285 was used for current premiums.

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, 2020 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	2.20 percent
Healthcare cost trend rates	4.00 percent for 2020

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 2.20%. 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, 2019	\$ 17,193,199
Service cost	1,439,321
Interest	616,498
Differences between expected and actual experience	958,747
Changes of assumptions or other inputs	(2,155,332)
Benefit payments	<u>(597,285)</u>
Net change in total OPEB liability	<u>261,949</u>
Balance, June 30, 2020	<u><u>\$ 17,455,148</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.20% in 2020.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.20%)	\$ 18,519,735
Current discount rate (2.20%)	17,455,148
1% increase (3.20%)	16,423,092

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%)	\$ 15,662,500
Current healthcare cost trend rate (4.00%)	17,455,148
1% increase (5.00%)	19,564,470

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$(261,949). At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 883,255	\$ -
Changes of assumptions	302,077	1,985,620
Total	\$ 1,185,332	\$ 1,985,620

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (62,083)
2022	(62,083)
2023	(62,083)
2024	(62,083)
2025	(62,083)
Thereafter	(489,873)
Total	<u>\$ (800,288)</u>

Note 11 - 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 \$115,330,000 as of June 30, 2020, 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
2021	\$ 4,575,000	\$ 4,915,472	\$ 9,490,472
2022	4,695,000	4,745,617	9,440,617
2023	4,880,000	4,562,905	9,442,905
2024	5,065,000	4,356,629	9,421,629
2025	5,170,000	4,126,508	9,296,508
2026-2030	28,665,000	16,834,984	45,499,984
2031-2035	30,585,000	9,556,706	40,141,706
2036-2040	20,410,000	3,667,901	24,077,901
2041-2045	7,330,000	1,523,445	8,853,445
2046-2049	3,955,000	199,739	4,154,739
Total	<u>\$ 115,330,000</u>	<u>\$ 54,489,906</u>	<u>\$ 169,819,906</u>

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Projects Fund for Blended Component Units
Nonspendable			
Revolving cash	\$ 15,000	\$ -	\$ -
Stores inventories	-	-	-
Total nonspendable	<u>15,000</u>	<u>-</u>	<u>-</u>
Restricted			
Legally restricted programs	3,294,182	-	-
Food service	-	-	-
Capital projects	-	11,181,614	4,800,880
Debt services	-	-	-
Total restricted	<u>3,294,182</u>	<u>11,181,614</u>	<u>4,800,880</u>
Committed			
Adult education program	-	-	-
Assigned			
Medi-Cal LEA audit repayment	1,331,788	-	-
CSEA negotiated agreement	111,800	-	-
Discretionary budgets	435,915	-	-
Medi-Cal administrative activities	679,871	-	-
One-time funds for outstanding mandates	11,485,817	-	-
Donations	656,848	-	-
Saturday school reimbursement program	62,615	-	-
Site safety awards	36,868	-	-
Green team schools	29,877	-	-
Site facility use agreements	53,877	-	-
Other grants	13,061	-	-
Non resident student fees	813,912	-	-
Site supplemental discretionary	1,042,910	-	-
District-wide technology infrastructure	-	-	-
Total assigned	<u>16,755,159</u>	<u>-</u>	<u>-</u>
Unassigned			
Reserve for economic uncertainties	7,800,598	-	-
Remaining unassigned	24,096,355	-	-
Total unassigned	<u>31,896,953</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,961,294</u>	<u>\$ 11,181,614</u>	<u>\$ 4,800,880</u>

Murrieta Valley Unified School District

Notes to Financial Statements

June 30, 2020

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ -	\$ 14,380	\$ 29,380
Stores inventories	-	132,884	132,884
Total nonspendable	-	147,264	162,264
Restricted			
Legally restricted programs	-	506,453	3,800,635
Food service	-	1,062,869	1,062,869
Capital projects	-	5,899,607	21,882,101
Debt services	24,172,708	303,713	24,476,421
Total restricted	24,172,708	7,772,642	51,222,026
Committed			
Adult education program	-	191,949	191,949
Assigned			
Medi-Cal LEA audit repayment	-	-	1,331,788
CSEA negotiated agreement	-	-	111,800
Discretionary budgets	-	-	435,915
Medi-Cal administrative activities	-	-	679,871
One-time funds for outstanding mandates	-	-	11,485,817
Donations	-	-	656,848
Saturday school reimbursement program	-	-	62,615
Site safety awards	-	-	36,868
Green team schools	-	-	29,877
Site facility use agreements	-	-	53,877
Other grants	-	-	13,061
Non resident student fees	-	-	813,912
Site supplemental discretionary	-	-	1,042,910
District-wide technology infrastructure	-	988,740	988,740
Total assigned	-	988,740	17,743,899
Unassigned			
Reserve for economic uncertainties	-	-	7,800,598
Remaining unassigned	-	-	24,096,355
Total unassigned	-	-	31,896,953
Total	\$ 24,172,708	\$ 9,100,595	\$ 101,217,091

Note 13 - 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, 2020, 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 2020, 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 14 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 193,876,835	\$ 62,667,673	\$ 18,153,821	\$ 25,522,481
CalPERS	85,566,262	18,921,378	1,852,391	14,548,672
Total	<u>\$ 279,443,097</u>	<u>\$ 81,589,051</u>	<u>\$ 20,006,212</u>	<u>\$ 40,071,153</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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

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

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

	STRP Defined Benefit Program	
	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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$20,081,671.

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

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

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 193,876,835
State's proportionate share of the net pension liability	<u>105,772,757</u>
 Total	 <u><u>\$ 299,649,592</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.2147% and 0.2005%, respectively, resulting in a net increase in the proportionate share of 0.0142%.

For the year ended June 30, 2020, the District recognized pension expense of \$25,522,481. In addition, the District recognized pension expense and revenue of \$15,751,844 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 20,081,671	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	17,575,384	5,222,402
Differences between projected and actual earnings on pension plan investments	-	7,468,195
Differences between expected and actual experience in the measurement of the total pension liability	489,436	5,463,224
Changes of assumptions	<u>24,521,182</u>	<u>-</u>
 Total	 <u><u>\$ 62,667,673</u></u>	 <u><u>\$ 18,153,821</u></u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (753,296)
2022	(5,928,868)
2023	(1,230,925)
2024	444,894
Total	<u><u>\$ (7,468,195)</u></u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 7,748,781
2022	7,748,783
2023	6,046,356
2024	7,543,480
2025	1,751,034
Thereafter	1,061,942
Total	<u><u>\$ 31,900,376</u></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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 288,698,656
Current discount rate (7.10%)	193,876,835
1% increase (8.10%)	115,251,488

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, 2018 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, 2020, 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	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$8,295,806.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$85,566,262. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.2936% and 0.2931%, respectively, resulting in a net increase in the proportionate share of 0.0005%.

For the year ended June 30, 2020, the District recognized pension expense of \$14,548,672. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,295,806	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	336,809	1,058,749
Differences between projected and actual earnings on pension plan investments	-	793,642
Differences between expected and actual experience in the measurement of the total pension liability	6,215,544	-
Changes of assumptions	4,073,219	-
	\$ 18,921,378	\$ 1,852,391
Total		

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 783,414
2022	(1,564,844)
2023	(237,133)
2024	224,921
Total	<u>\$ (793,642)</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
2021	\$ 6,204,568
2022	2,209,205
2023	1,048,229
2024	104,821
Total	<u>\$ 9,566,823</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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

<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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 123,338,140
Current discount rate (7.15%)	85,566,262
1% increase (8.15%)	54,231,880

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS and CalPERS in the amount of \$14,754,270 (10.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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

Note 15 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

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

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Modernization at various sites		
HVAC replacement	\$ 751,878	October 2021
Roof replacement	546,340	October 2021
Murrieta Mesa High School	<u>9,000,000</u>	August 2021
Total	<u><u>\$ 10,298,218</u></u>	

Note 16 - 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 & 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, 2020, the District made payments of \$2,040,000, \$4,263,227, and \$24,231,894 to RSIA, RSRMA, and REEP, respectively, for its property liability, workers' compensation, and health coverage.

Note 17 - Subsequent Events

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



Required Supplementary Information
June 30, 2020

Murrieta Valley Unified School District

Murrieta Valley Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Local Control Funding Formula	\$ 206,364,405	\$ 208,607,155	\$ 208,623,144	\$ 15,989
Federal sources	8,459,095	8,750,095	8,512,214	(237,881)
Other State sources	17,396,234	24,066,325	24,664,409	598,084
Other local sources	18,187,474	19,926,473	20,417,150	490,677
Total revenues	<u>250,407,208</u>	<u>261,350,048</u>	<u>262,216,917</u>	<u>866,869</u>
Expenditures				
Current				
Certificated salaries	117,641,018	118,984,589	118,630,927	353,662
Classified salaries	40,941,166	39,643,249	39,555,625	87,624
Employee benefits	65,573,916	69,082,490	68,668,873	413,617
Books and supplies	12,382,953	8,845,669	8,678,978	166,691
Services and operating expenditures	21,113,395	20,590,405	19,125,916	1,464,489
Other outgo	(561,552)	(510,170)	(481,081)	(29,089)
Capital outlay	3,922,774	5,525,996	5,342,623	183,373
Debt service				
Debt service - principal	250,000	366,694	366,694	-
Debt service - interest and other	112,358	113,912	113,997	(85)
Total expenditures	<u>261,376,028</u>	<u>262,642,834</u>	<u>260,002,552</u>	<u>2,640,282</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,968,820)</u>	<u>(1,292,786)</u>	<u>2,214,365</u>	<u>3,507,151</u>
Other Financing Sources (Uses)				
Transfers in	-	327,977	327,977	-
Transfers out	-	(33,000)	(17,377)	15,623
Net financing sources (uses)	<u>-</u>	<u>294,977</u>	<u>310,600</u>	<u>15,623</u>
Net Change in Fund Balances	(10,968,820)	(997,809)	2,524,965	3,522,774
Fund Balance - Beginning	49,436,329	49,436,329	49,436,329	-
Fund Balance - Ending	<u>\$ 38,467,509</u>	<u>\$ 48,438,520</u>	<u>\$ 51,961,294</u>	<u>\$ 3,522,774</u>

Murrieta Valley Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability (asset)	0.2147%	0.2005%	0.1941%	0.1983%	0.2090%	0.1888%
Proportionate share of the net pension liability (asset)	\$ 193,876,835	\$ 184,263,020	\$ 179,531,862	\$ 160,424,204	\$ 140,719,047	\$ 110,308,530
State's proportionate share of the net pension liability (asset)	105,772,757	105,499,197	106,209,533	91,326,638	74,424,863	66,609,053
Total	<u>\$ 299,649,592</u>	<u>\$ 289,762,217</u>	<u>\$ 285,741,395</u>	<u>\$ 251,750,842</u>	<u>\$ 215,143,910</u>	<u>\$ 176,917,583</u>
Covered payroll	<u>\$ 113,802,187</u>	<u>\$ 108,376,833</u>	<u>\$ 106,363,744</u>	<u>\$ 99,627,036</u>	<u>\$ 96,586,757</u>	<u>103,962,473</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>170.36%</u>	<u>170.02%</u>	<u>168.79%</u>	<u>161.02%</u>	<u>145.69%</u>	<u>106.10%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability (asset)	0.2936%	0.2931%	0.3042%	0.2995%	0.2956%	0.2894%
Proportionate share of the net pension liability (asset)	\$ 85,566,262	\$ 78,146,289	\$ 72,630,215	\$ 59,154,321	\$ 43,578,380	\$ 32,854,704
Covered payroll	<u>\$ 41,102,840</u>	<u>\$ 39,576,170</u>	<u>\$ 37,881,264</u>	<u>\$ 35,991,779</u>	<u>\$ 33,272,135</u>	<u>34,228,832</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>208.18%</u>	<u>197.46%</u>	<u>191.73%</u>	<u>164.36%</u>	<u>130.98%</u>	<u>95.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Murrieta Valley Unified School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 20,081,671	\$ 18,526,996	\$ 15,638,777	\$ 13,380,559	\$ 10,689,981	\$ 8,576,904
Less contributions in relation to the contractually required contribution	20,081,671	18,526,996	15,638,777	13,380,559	10,689,981	8,576,904
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 117,436,673	\$ 113,802,187	\$ 108,376,833	\$ 106,363,744	\$ 99,627,036	\$ 96,586,757
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	\$ 8,295,806	\$ 7,423,995	\$ 6,146,575	\$ 5,260,950	\$ 4,263,946	\$ 3,916,463
Less contributions in relation to the contractually required contribution	8,295,806	7,423,995	6,146,575	5,260,950	4,263,946	3,916,463
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 42,065,849	\$ 41,102,840	\$ 39,576,170	\$ 37,881,264	\$ 35,991,779	\$ 33,272,135
Contributions as a percentage of covered payroll	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

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

Note 1 - Purpose of Schedules**Budgetary Comparison Schedule**

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

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

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

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

- *Change in Benefit Terms* – There were no changes in benefit terms since the previous valuation for other postemployment benefits.
- *Change in Assumptions* – The plan discount rate assumption was changed from 3.50% to 2.20% 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.



Supplementary Information
June 30, 2020

Murrieta Valley Unified School District

Murrieta Valley Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	\$ 2,236,486
School Breakfast Program - Especially Needy Breakfast	10.553	13526	729,185
National School Lunch Program - Summer Food Program	10.559	13004	514,528
National School Lunch Program - Commodity Supplemental Food	10.555	13391	393,534
Total Child Nutrition Cluster			<u>3,873,733</u>
Passed Through Riverside County Office of Education			
Forest Service Schools and Roads Cluster			
Forest Reserve Funds	10.665	10044	15,042
Total U.S. Department of Agriculture			<u>3,888,775</u>
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Adult Education - Basic Grants to States	84.002	14508	34,595
Adult Education - Basic Grants to States	84.002	13978	25,300
Subtotal			<u>59,895</u>
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	4,942,898
Special Education Grants to States - Private Schools ISPs	84.027	10115	4,848
Special Education Grants to States - Mental Health	84.027A	15197	295,702
Special Education Preschool Grants	84.173	13430	103,255
Special Education Preschool Grants - Preschool Staff Development	84.173	13431	983
Total Special Education Cluster			<u>5,347,686</u>
Title I Grants to Local Educational Agencies	84.010	14329	2,200,140
School Improvement Funding for LEAs	84.010	15438	81,298
Subtotal			<u>2,281,438</u>
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	449,926
English Language Acquisition State Grants - LEP	84.365	14346	149,896
Student Support and Academic Enrichment Program	84.424	15396	140,587
Career and Technical Education - Basic Grants to States	84.048	14894	109,449
Rehabilitation Services Vocational Rehabilitation Grants to States - Workability II	84.126	10006	18,190
Total U.S. Department of Education			<u>8,557,067</u>

Murrieta Valley Unified School District
 Schedule of Expenditures of Federal Awards
 June 30, 2020

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>\$ 887,171</u>
Total U.S. Department of Health and Human Services			<u>887,171</u>
Total Expenditures of Federal Awards			<u><u>\$ 13,333,013</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 2020
Paul Diffley	Clerk	November 2020
Oscar Rivas	Member	November 2022
Kris Thomasian	Member	November 2022
Ken Dickson	Member	November 2020

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

Murrieta Valley Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2020

	Final Report	
	Second Period Report A4256DBB	Annual Report F47C761D
	Regular ADA	
Transitional kindergarten through third	5,911.66	5,911.66
Fourth through sixth	4,709.93	4,709.93
Seventh and eighth	3,596.04	3,596.04
Ninth through twelfth	8,094.97	8,094.97
Total Regular ADA	22,312.60	22,312.60
Extended Year Special Education		
Transitional kindergarten through third	4.87	4.87
Fourth through sixth	2.57	2.57
Seventh and eighth	1.02	1.02
Ninth through twelfth	1.59	1.59
Total Extended Year Special Education	10.05	10.05
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	3.57	3.57
Seventh and eighth	4.17	4.17
Ninth through twelfth	7.74	7.74
Total Special Education, Nonpublic, Nonsectarian Schools	15.48	15.48
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.34	0.34
Seventh and eighth	0.29	0.29
Ninth through twelfth	1.28	1.28
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.91	1.91
Total ADA	22,340.04	22,340.04

Murrieta Valley Unified School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,420	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,775	180	N/A	Complied
Grade 2		52,775	180	N/A	Complied
Grade 3		52,775	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,575	180	N/A	Complied
Grade 5		54,575	180	N/A	Complied
Grade 6		54,240	180	N/A	Complied
Grade 7		54,240	180	N/A	Complied
Grade 8		54,240	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,895	180	N/A	Complied
Grade 10		65,895	180	N/A	Complied
Grade 11		65,895	180	N/A	Complied
Grade 12		65,895	180	N/A	Complied

Murrieta Valley Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

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

Murrieta Valley Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund				
Revenues	\$ 251,350,776	\$ 262,216,917	\$ 261,049,831	\$ 233,619,841
Other sources and transfers in	-	327,977	342,801	-
Total Revenues and Other Sources	<u>251,350,776</u>	<u>262,544,894</u>	<u>261,392,632</u>	<u>233,619,841</u>
Expenditures	258,422,548	260,002,552	252,232,809	230,139,092
Other uses and transfers out	35,000	17,377	-	-
Total Expenditures and Other Uses	<u>258,457,548</u>	<u>260,019,929</u>	<u>252,232,809</u>	<u>230,139,092</u>
Increase/(Decrease) in Fund Balance	<u>(7,106,772)</u>	<u>2,524,965</u>	<u>9,159,823</u>	<u>3,480,749</u>
Ending Fund Balance	<u>\$ 44,854,522</u>	<u>\$ 51,961,294</u>	<u>\$ 49,436,329</u>	<u>\$ 40,276,506</u>
Available Reserves ²	<u>\$ 28,477,790</u>	<u>\$ 31,896,953</u>	<u>\$ 23,462,367</u>	<u>\$ 18,252,242</u>
Available Reserves as a Percentage of Total Outgo	<u>11.02%</u>	<u>12.27%</u>	<u>9.30%</u>	<u>7.93%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 536,073,468</u>	<u>\$ 519,431,563</u>	<u>\$ 511,268,021</u>
K-12 Average Daily Attendance at P-2	<u>22,340</u>	<u>22,340</u>	<u>22,112</u>	<u>22,036</u>

The General Fund balance has increased by \$11,684,788 over the past two years. The fiscal year 2020-2021 budget projects a decrease of \$7,106,772 (14.38%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$24,805,447 over the past two years.

Average daily attendance has increased by 304 over the past two years. No change to ADA is anticipated during fiscal year 2020-2021.

¹ Budget 2021 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, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Assets				
Deposits and investments	\$ 185,553	\$ 663,910	\$ 1,261,719	\$ 3,752,577
Receivables	39,143	213,683	443,002	371,404
Due from other funds	2,000	143	23,006	3,524,642
Stores inventories	-	-	132,884	-
Total assets	\$ 226,696	\$ 877,736	\$ 1,860,611	\$ 7,648,623
Liabilities and Fund Balances				
Liabilities				
Accounts payable	3,179	52,669	24,183	1,722,442
Due to other funds	13,859	222,340	346,198	26,574
Unearned revenue	-	113,983	280,097	-
Total liabilities	17,038	388,992	650,478	1,749,016
Fund Balances				
Nonspendable	-	-	147,264	-
Restricted	17,709	488,744	1,062,869	5,899,607
Committed	191,949	-	-	-
Assigned	-	-	-	-
Total fund balances	209,658	488,744	1,210,133	5,899,607
Total liabilities and fund balances	\$ 226,696	\$ 877,736	\$ 1,860,611	\$ 7,648,623

Murrieta Valley Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
Assets			
Deposits and investments	\$ 41,590	\$ 303,713	\$ 6,209,062
Receivables	998,579	-	2,065,811
Due from other funds	-	-	3,549,791
Stores inventories	-	-	132,884
Total assets	\$ 1,040,169	\$ 303,713	\$ 11,957,548
Liabilities and Fund Balances			
Liabilities			
Accounts payable	51,429	-	1,853,902
Due to other funds	-	-	608,971
Unearned revenue	-	-	394,080
Total liabilities	51,429	-	2,856,953
Fund Balances			
Nonspendable	-	-	147,264
Restricted	-	303,713	7,772,642
Committed	-	-	191,949
Assigned	988,740	-	988,740
Total fund balances	988,740	303,713	9,100,595
Total liabilities and fund balances	\$ 1,040,169	\$ 303,713	\$ 11,957,548

Murrieta Valley Unified School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
Funds
June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
Revenues				
Federal sources	\$ 59,895	\$ 887,171	\$ 3,873,733	\$ -
Other State sources	327,380	2,026,331	271,436	-
Other local sources	52,629	1,601,879	2,595,622	2,397,090
Total revenues	439,904	4,515,381	6,740,791	2,397,090
Expenditures				
Current				
Instruction	162,143	2,185,756	-	-
Instruction-related activities				
Supervision of instruction	-	321,945	-	-
School site administration	157,782	-	-	-
Pupil services				
Food services	-	-	7,177,320	-
All other pupil services	66,045	-	-	-
Administration				
All other administration	13,786	221,447	346,037	664,707
Plant services	-	4,129	-	369,213
Community services	-	1,653,272	-	-
Enterprise services	240,615	-	-	-
Facility acquisition and construction	-	114,899	-	4,638,100
Debt service				
Principal	-	59,912	-	200,000
Interest and other	-	-	-	44,900
Total expenditures	640,371	4,561,360	7,523,357	5,916,920
Excess (Deficiency) of Revenues Over Expenditures	(200,467)	(45,979)	(782,566)	(3,519,830)
Other Financing Sources (Uses)				
Transfers in	-	-	17,377	4,476,703
Transfers out	-	-	-	(327,977)
Net Financing Sources (Uses)	-	-	17,377	4,148,726
Net Change in Fund Balances	(200,467)	(45,979)	(765,189)	628,896
Fund Balance - Beginning	410,125	534,723	1,975,322	5,270,711
Fund Balance - Ending	\$ 209,658	\$ 488,744	\$ 1,210,133	\$ 5,899,607

Murrieta Valley Unified School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
Funds
June 30, 2020

	Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
Revenues			
Federal sources	\$ -	\$ -	\$ 4,820,799
Other State sources	-	-	2,625,147
Other local sources	(89,372)	789,119	7,346,967
Total revenues	(89,372)	789,119	14,792,913
Expenditures			
Current			
Instruction	-	-	2,347,899
Instruction-related activities			
Supervision of instruction	-	-	321,945
School site administration	-	-	157,782
Pupil services			
Food services	-	-	7,177,320
All other pupil services	-	-	66,045
Administration			
All other administration	-	-	1,245,977
Plant services	263,457	-	636,799
Community services	-	-	1,653,272
Enterprise services	-	-	240,615
Facility acquisition and construction	-	-	4,752,999
Debt service			
Principal	-	105,000	364,912
Interest and other	-	677,763	722,663
Total expenditures	263,457	782,763	19,688,228
Excess (Deficiency) of Revenues Over Expenditures	(352,829)	6,356	(4,895,315)
Other Financing Sources (Uses)			
Transfers in	-	-	4,494,080
Transfers out	-	-	(327,977)
Net Financing Sources (Uses)	-	-	4,166,103
Net Change in Fund Balances	(352,829)	6,356	(729,212)
Fund Balance - Beginning	1,341,569	297,357	9,829,807
Fund Balance - Ending	\$ 988,740	\$ 303,713	\$ 9,100,595

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling \$987 in inventory.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification Certifying that schools were closed for 54 days due to the pandemic. As a result, the district received credit for these 54 days in the meeting the annual instructional days requirements. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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, 2020

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 Directors
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, 2020, 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 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
November 17, 2020



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

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

Report on Compliance for the 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 the District’s major federal program for the year ended June 30, 2020. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the District’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

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 17, 2020



Independent Auditor's Report on State Compliance

To the Board of Directors
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 *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

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

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

Compliance Requirements Tested

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

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

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

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

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

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

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

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

We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

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

The 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 with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

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

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

Rancho Cucamonga, California
November 17, 2020

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	10.553, 10.555, 10.559
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.

None reported.

Murrieta Valley Unified School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

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