



ANNUAL FINANCIAL REPORT

JUNE 30, 2016

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Murrieta Valley Unified School District
Murrieta, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Murrieta Valley Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Murrieta Valley Unified School District, as of June 30, 2016, 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 5 through 12, budgetary comparison schedule on page 69, schedule of other postemployment benefits funding progress on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The accompanying unaudited other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the Murrieta Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Murrieta Valley Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 31, 2016



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

This section of Murrieta Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information from 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Patrick Kelley
Superintendent

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 obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

The *Fiduciary Activities* 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.

Our Mission

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

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41870 McAlby Court
Murrieta, CA 92562
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MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- General Fund revenues totaled \$219,138,581 for 2015-2016. Fiscal year 2015-2016 was the third year of the Local Control Funding Formula (LCFF). LCFF funding was based on average daily attendance (ADA) equal to 21,738. Student enrollment increased by 127 students over prior year California Basic Educational Data System (CBEDS) to 22,825.
- The General Fund expenditures totaled \$199,852,127. Expenditures included meeting the requirements of the District Local Control Accountability Plan.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was approximately \$181.2 million and \$163.9 million for the fiscal years ended June 30, 2016 and 2015, respectively. Of this amount, (\$180.6) million was deficit unrestricted at June 30, 2016. 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

(Amounts in millions)

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 101.4	\$ 49.0
Capital assets	514.1	513.7
Total Assets	<u>615.5</u>	<u>562.7</u>
Deferred Outflows of Resources	<u>56.0</u>	<u>13.7</u>
Liabilities		
Current liabilities	10.3	9.7
Long-term obligations	259.5	221.2
Aggregate net pension liability	184.3	143.2
Total Liabilities	<u>454.1</u>	<u>374.1</u>
Deferred Inflows of Resources	<u>36.2</u>	<u>38.4</u>
Net Position		
Net investment in capital assets	330.7	338.5
Restricted	31.1	28.4
Unrestricted (Deficit)	(180.6)	(203.0)
Total Net Position	<u>\$ 181.2</u>	<u>\$ 163.9</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Changes in Net Position

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

Table 2

(Amounts in millions)	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 4.2	\$ 5.3
Operating grants and contributions	35.6	32.6
General revenues:		
Unrestricted Federal and State aid	136.6	115.5
Property taxes	66.6	56.1
Other general revenues	18.0	11.0
Total Revenues	<u>261.0</u>	<u>220.5</u>
Expenses		
Instruction-related	166.1	163.5
Student support services	23.1	21.4
Administration	11.7	17.5
Plant services	21.1	17.4
Other	21.7	13.9
Total Expenses	<u>243.7</u>	<u>233.7</u>
Change in Net Position	<u>\$ 17.3</u>	<u>\$ (13.2)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$243.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$66.6 million because the cost was paid by those who benefited from the programs \$4.2 million or by other governments and organizations who subsidized certain programs with grants and contributions of \$35.6 million. We paid for the remaining "public benefit" portion of our governmental activities, \$136.6 million in Federal and State aid, and \$18 million in other revenues, like interest, and general entitlements.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

Table 3

(Amounts in millions)

	Total Cost of Services	
	2016	2015
Instruction	\$ 148.1	\$ 145.6
Instruction-related activities	18.0	17.9
Pupil services	23.1	21.4
Administration	11.7	17.5
Plant services	21.1	17.4
Ancillary services	2.4	2.3
Community services	1.7	1.1
Other governmental activities	17.7	10.5
Total	<u>\$ 243.8</u>	<u>\$ 233.7</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$93.2 million (Table 4) in 2016, compared to \$41.2 million in 2015.

Table 4

(Amounts in millions)

	Fund Balance	
	2016	2015
General Fund	\$ 32.5	\$ 13.3
Building Fund	25.8	0.3
Bond Interest and Redemption Fund	19.7	15.0
Non-Major Governmental Funds	15.2	12.6
Total	<u>\$ 93.2</u>	<u>\$ 41.2</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$514 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment.

Table 5

(Amounts in millions)

	Governmental Activities	
	2016	2015
Land and construction in process	\$ 36.0	\$ 36.0
Buildings and improvements, net of depreciation	475.2	475.2
Equipment, net of depreciation	2.8	2.5
Total	<u>\$ 514.0</u>	<u>\$ 513.7</u>

We present more detailed information regarding our capital assets in Note 4 of the financial statements.

Long-Term Obligations

At the end of this year, the District had \$259.5 million in outstanding long-term obligations. The long-term obligations consisted of:

Table 6

(Amounts in millions)

	Governmental Activities	
	2016	2015
General obligation bonds	\$ 226.3	\$ 186.0
Certificates of participation	6.0	6.4
School facility bridge funding program	14.8	14.8
Capitalized lease obligations	0.2	0.3
Other	12.2	13.7
Total	<u>\$ 259.5</u>	<u>\$ 221.2</u>

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

Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$184.3 million, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-2017 year, the District Board of Education and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula
 - a. Student enrollment projected the same as prior year equal to 22,825 students;
 - b. Funding based on prior year P2 ADA equal to 21,739;
 - c. Cost of Living Adjustment equal to 0 percent;
 - d. Funding gap percentage equal 54.84 percent.
2. Federal revenues maintained at prior year funding levels.
3. State revenues maintained at prior year funding levels and additional one-time funds for Outstanding Mandated Cost Claims.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 90,191,486
Receivables	11,118,749
Stores inventories	79,580
Capital assets	
Land and construction in process	36,034,082
Other capital assets	611,472,696
Less: Accumulated depreciation	<u>(133,445,153)</u>
Total Capital Assets	<u>514,061,625</u>
Total Assets	<u>615,451,440</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	6,178,908
Deferred outflows of resources related to pensions	<u>49,865,817</u>
Total Deferred Outflows of Resources	<u>56,044,725</u>
LIABILITIES	
Accounts payable	6,551,624
Accrued Interest payable	2,054,255
Unearned revenue	1,663,989
Long-term obligations:	
Current portion of long-term obligations other than pension	14,857,510
Noncurrent portion of long-term obligations other than pension	<u>244,677,949</u>
Total Long-Term Obligations	<u>259,535,459</u>
Aggregate net pension liability	<u>184,297,427</u>
Total Liabilities	<u>454,102,754</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>36,236,703</u>
NET POSITION	
Net investment in capital assets	330,661,161
Restricted for:	
Debt service	20,067,315
Capital projects	4,621,743
Educational programs	6,382,809
Unrestricted (Deficit)	<u>(180,576,320)</u>
Total Net Position	<u>\$ 181,156,708</u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 148,140,841	\$ 223,768	\$ 23,620,888	\$ 86		\$ (124,296,099)
Instruction-related activities:						
Supervision of instruction	4,442,302	6,935	2,835,299	-		(1,600,068)
Instructional library, media, and technology	1,141,476	-	90,485	-		(1,050,991)
School site administration	12,414,804	315	617,825	-		(11,796,664)
Pupil services:						
Home-to-school transportation	3,403,093	-	3,275	-		(3,399,818)
Food services	7,065,621	2,994,305	3,478,770	-		(592,546)
All other pupil services	12,618,164	92,155	2,894,735	-		(9,631,274)
Administration:						
Data processing	3,123,370	334	447	-		(3,122,589)
All other administration	8,551,815	187,740	758,740	-		(7,605,335)
Plant services	21,099,246	11,979	29,689	-		(21,057,578)
Ancillary services	2,400,415	-	69,115	-		(2,331,300)
Community services	1,671,768	41,004	302,427	-		(1,328,337)
Enterprise services	333,799	-	7,693	-		(326,106)
Interest on long-term obligations	17,217,884	-	-	-		(17,217,884)
Other outgo	123,399	631,905	899,932	-		1,408,438
Total Governmental Activities	\$ 243,747,997	\$ 4,190,440	\$ 35,609,320	\$ 86		(203,948,151)
General revenues and subventions:						
Property taxes, levied for general purposes						48,080,233
Property taxes, levied for debt service						17,883,045
Taxes levied for other specific purposes						638,359
Federal and State aid not restricted to specific purposes						136,644,030
Interest and investment earnings						146,865
Miscellaneous						17,839,007
Subtotal, General Revenues						221,231,539
Change in Net Position						17,283,388
Net Position - Beginning						163,873,320
Net Position - Ending						\$ 181,156,708

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 29,023,371	\$ 28,498,840	\$ 19,642,220
Receivables	7,966,269	51,613	-
Due from other funds	514,104	-	-
Stores inventories	-	-	-
Total Assets	\$ 37,503,744	\$ 28,550,453	\$ 19,642,220
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,545,126	\$ 2,742,199	\$ -
Due to other funds	38,251	-	-
Unearned revenue	1,376,491	-	-
Total Liabilities	4,959,868	2,742,199	-
Fund Balances:			
Nonspendable	15,000	-	-
Restricted	4,458,215	25,808,254	19,642,220
Committed	-	-	-
Assigned	12,132,838	-	-
Unassigned	15,937,823	-	-
Total Fund Balances	32,543,876	25,808,254	19,642,220
Total Liabilities and Fund Balances	\$ 37,503,744	\$ 28,550,453	\$ 19,642,220

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 13,027,055	\$ 90,191,486
3,100,867	11,118,749
38,251	552,355
79,580	79,580
<u>\$ 16,245,753</u>	<u>\$ 101,942,170</u>
\$ 264,299	\$ 6,551,624
514,104	552,355
287,498	1,663,989
<u>1,065,901</u>	<u>8,767,968</u>
94,310	109,310
14,803,491	64,712,180
282,051	282,051
-	12,132,838
-	15,937,823
<u>15,179,852</u>	<u>93,174,202</u>
<u>\$ 16,245,753</u>	<u>\$ 101,942,170</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Total Fund Balance - Governmental Funds		\$ 93,174,202
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	\$ 647,506,778	
Accumulated depreciation is	<u>(133,445,153)</u>	
Net Capital Assets		514,061,625
Expenditures relating to issuance of debt of next fiscal year were recognized on the modified accrual basis, but are not recognized on the accrual basis.		6,178,908
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		14,953,927
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, the net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members		(2,054,255)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected remaining service life of members		1,213,644
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members		139,120
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(2,677,577)
Long-term obligations are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		(184,297,427)
Long-term obligations at year-end consist of:		
General obligation bonds	178,340,770	
Certificates of participation	20,230,000	
Unamortized premium on issuance	16,176,100	
Capital lease obligations	239,652	
Supplemental early retirement program	6,677,335	
Compensated absences (vacations)	514,571	
Net OPEB obligation	4,983,149	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>32,373,882</u>	
Total Long-Term Obligations		<u>(259,535,459)</u>
Total Net Position - Governmental Activities		<u>\$ 181,156,708</u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	\$ 168,433,423	\$ -	\$ -
Federal sources	7,618,804	-	-
Other State sources	25,862,090	-	155,593
Other local sources	17,224,266	168,769	17,776,193
Total Revenues	<u>219,138,583</u>	<u>168,769</u>	<u>17,931,786</u>
EXPENDITURES			
Current			
Instruction	131,333,825	-	-
Instruction-related activities:			
Supervision of instruction	4,080,408	-	-
Instructional library, media, and technology	1,118,160	-	-
School site administration	11,905,318	-	-
Pupil services:			
Home-to-school transportation	3,314,709	-	-
Food services	-	-	-
All other pupil services	12,434,154	-	-
Administration:			
Data processing	3,094,466	-	-
All other administration	9,135,056	-	-
Plant services	18,670,956	-	-
Facility acquisition and construction	1,277,958	12,643,901	-
Ancillary services	2,380,608	-	-
Community services	333,089	-	-
Other outgo	123,399	-	-
Enterprise services	4,683	-	-
Debt service			
Principal	395,000	-	86,655,743
Interest and other	214,763	-	15,660,699
Total Expenditures	<u>199,816,552</u>	<u>12,643,901</u>	<u>102,316,442</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,322,031</u>	<u>(12,475,132)</u>	<u>(84,384,656)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Other sources	-	38,002,827	89,045,113
Transfers out	(35,577)	-	-
Net Financing Sources (Uses)	<u>(35,577)</u>	<u>38,002,827</u>	<u>89,045,113</u>
NET CHANGE IN FUND BALANCES	19,286,454	25,527,695	4,660,457
Fund Balance - Beginning	13,257,422	280,559	14,981,763
Fund Balance - Ending	<u>\$ 32,543,876</u>	<u>\$ 25,808,254</u>	<u>\$ 19,642,220</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 168,433,423
4,156,445	11,775,249
2,012,552	28,030,235
8,789,221	43,958,449
<u>14,958,218</u>	<u>252,197,356</u>
1,642,347	132,976,172
295,324	4,375,732
-	1,118,160
278,172	12,183,490
-	3,314,709
6,714,871	6,714,871
-	12,434,154
-	3,094,466
1,179,882	10,314,938
121,537	18,792,493
2,371,621	16,293,480
-	2,380,608
1,308,492	1,641,581
-	123,399
326,912	331,595
67,114	87,117,857
822,250	16,697,712
<u>15,128,522</u>	<u>329,905,417</u>
<u>(170,304)</u>	<u>(77,708,061)</u>
35,577	35,577
2,642,178	129,690,118
-	(35,577)
<u>2,677,755</u>	<u>129,690,118</u>
2,507,451	51,982,057
12,672,401	41,192,145
<u>\$ 15,179,852</u>	<u>\$ 93,174,202</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds **\$ 51,982,057**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlay	\$ 14,189,412	
Depreciation expense	(13,811,525)	
Net Expense Adjustment		377,887

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used was more than amounts earned by \$2,219,811. Compensated absences (vacations) used was less than amounts earned by \$122,165.

2,097,646

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds (111,436,818)

Governmental funds report the effect of premiums, discounts, issuance costs, 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. This amount is the net effect of these related items:

Premium on issuance	(15,611,121)	
Deferred amount on refunding	6,637,323	
Combined adjustment		(8,973,798)

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

(2,785,983)

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

Repayment of general obligation bonds, certificates of participation, special tax bonds, and capital lease obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 89,335,000	
Certificates of participation	395,000	
Capital lease obligations	<u>67,114</u>	
Combined adjustment		\$ 89,797,114

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

Amortization of debt premium	1,193,865	
Amortization of deferred amount on refunding	<u>(458,415)</u>	
Combined adjustment		735,450

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds/certificates of participation is increased by \$141,849, and second, \$3,793,030 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(3,934,879)

In the Statement of Activities, Other Postemployment Benefits obligation (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed towards the OPEB obligation were less than the ARC by \$575,288.

(575,288)

Change in Net Position of Governmental Activities \$ 17,283,388

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2016

	<u>Agency Funds</u>		
	<u>Debt Service Fund for Special Tax Bonds</u>	<u>Associated Student Bodies</u>	<u>Total Agency Funds</u>
ASSETS			
Deposits and investments	\$ 19,276,689	\$ 1,848,071	\$ 21,124,760
Receivables	-	35,284	35,284
Stores inventories	-	115,314	115,314
Total Assets	<u>\$ 19,276,689</u>	<u>\$ 1,998,669</u>	<u>\$ 21,275,358</u>
LIABILITIES			
Accounts payable	\$ -	\$ 581,253	\$ 581,253
Due to student groups	-	1,417,416	1,417,416
Due to bond holders	19,276,689	-	19,276,689
Total Liabilities	<u>\$ 19,276,689</u>	<u>\$ 1,998,669</u>	<u>\$ 21,275,358</u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Murrieta Valley Unified School District (the District) was organized on July 1, 1989, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District currently operates eleven elementary schools, four middle schools, three high schools, one continuation school, one independent study school, and one adult school.

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

Component Units

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

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

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

Basis of Presentation - Fund Accounting

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Major Governmental Funds

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

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

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a 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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. 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 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).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Projects Funds The Capital Project Funds are used to account for financial resources that are restricted, committed, or assigned to 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 (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

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

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).

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

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

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expended as incurred.

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

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

Interfund Balances

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

Compensated Absences

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

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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions and for the unamortized amount on net change in proportionate share of net pension liability.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Fund Balances - Governmental Funds

As of June 30, 2016, 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 chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3 percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$31,071,867 of restricted net position.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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. For the budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In June 2015, the GASB issued 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 No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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 No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 90,191,486
Fiduciary funds	<u>21,124,760</u>
Total Deposits and Investments	<u>\$ 111,316,246</u>

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 4,576,232
Cash in revolving	29,730
Investments	<u>106,710,284</u>
Total Deposits and Investments	<u>\$ 111,316,246</u>

Policies and Practices

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

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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	Not Applicable	20%	10%
Mortgage Pass-Through Securities	Not Applicable	20%	None
County Pooled Investment Funds	Not Applicable		None
Local Agency Investment Fund (LAIF)	Not Applicable	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

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

Interest Rate Risk

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Investment Type	Fair Value	Maturity Date
Money Market - Treasury Cash Management	\$ 22,363,907	45*
Riverside County Investment Pool	84,347,642	420*
Total	\$ 106,711,549	

*Weighted average days to maturity.

Credit Risk

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

Investment Type	Minimum Legal Rating	Rating June 30, 2016	Fair Value
Money Market - Treasury Cash Management	Not Required	AAAmmf	\$ 22,363,907
Riverside County Investment Pool	Not Required	AAA/V1	84,347,642
Total			\$ 106,711,549

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of \$1,734,390 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Riverside County Pool	<u>\$ 84,347,642</u>	<u>\$ 84,347,642</u>

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, 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 Governmental Activities	Fiduciary Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Federal Government					
Categorical aid	\$ 1,447,071	\$ -	\$ 1,038,179	\$ 2,485,250	\$ -
State Government					
Categorical aid	2,239,853	-	188,810	2,428,663	-
Lottery	2,483,642	-	-	2,483,642	-
Local Government	-				
Interest	54,362	51,613	9,915	115,890	-
Other Local Sources	<u>1,741,341</u>	<u>-</u>	<u>1,863,963</u>	<u>3,605,304</u>	<u>35,284</u>
Total	<u>\$ 7,966,269</u>	<u>\$ 51,613</u>	<u>\$ 3,100,867</u>	<u>\$ 11,118,749</u>	<u>\$ 35,284</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>July 1, 2015</u>	Additions	Deductions	Balance <u>June 30, 2016</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 36,034,082	\$ -	\$ -	\$ 36,034,082
Capital Assets Being Depreciated				
Buildings and improvements	588,383,163	13,670,977	-	602,054,140
Furniture and equipment	8,900,121	518,435	-	9,418,556
Total Capital Assets Being Depreciated	<u>597,283,284</u>	<u>14,189,412</u>	<u>-</u>	<u>611,472,696</u>
Less Accumulated Depreciation				
Buildings and improvements	113,233,343	13,572,330	-	126,805,673
Furniture and equipment	<u>6,400,285</u>	<u>239,195</u>	<u>-</u>	<u>6,639,480</u>
Total Accumulated Depreciation	<u>119,633,628</u>	<u>13,811,525</u>	<u>-</u>	<u>133,445,153</u>
Governmental Activities Capital Assets, Net	<u>\$ 513,683,738</u>	<u>\$ 377,887</u>	<u>\$ -</u>	<u>\$ 514,061,625</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 13,077,237
Home-to-school transportation	43,924
Food services	292,716
All other administration	349,459
Plant services	48,189
Total Depreciation Expenses Governmental Activities	<u>\$ 13,811,525</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, between major and non-major governmental funds are as follows:

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 514,104	\$ 514,104
Non-Major Governmental Funds	38,251	-	38,251
Total	<u>\$ 38,251</u>	<u>\$ 514,104</u>	<u>\$ 552,355</u>

A balance of \$328,015 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect costs.

A balance of \$163,164 is due to the General Fund from Child Development Non-Major Governmental Fund for indirect costs.

A balance of \$22,870 is due to the General Fund from Adult Education Non-Major Governmental Fund for indirect costs.

A balance of \$35,577 is due to the Adult Education Non-Major Governmental Fund from the General Fund for Carryover Contribution.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

The General Fund transferred to Adult Education Non-Major Governmental Fund for carryover contribution.

\$ 35,577

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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 832,193	\$ 142,753	\$ 166,657	\$ 1,141,603	\$ 581,253
State principal apportionment	1,572,607		-	1,572,607	-
Salaries and benefits	499,181	-	62,680	561,861	-
Construction	-	-	34,962	34,962	-
Other	641,145	2,599,446	-	3,240,591	-
Total	<u>\$ 3,545,126</u>	<u>\$ 2,742,199</u>	<u>\$ 264,299</u>	<u>\$ 6,551,624</u>	<u>\$ 581,253</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 5,853	\$ 261,477	\$ 267,330
State categorical aid	278,079	-	278,079
Other local	1,092,559	26,021	1,118,580
Total	<u>\$ 1,376,491</u>	<u>\$ 287,498</u>	<u>\$ 1,663,989</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2016, is shown below:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General Obligation Bonds	\$ 184,819,804	\$ 115,229,848	\$ 89,335,000	\$ 210,714,652	\$ 12,236,960
Premium on Issuance	1,136,952	15,611,121	1,165,748	15,582,325	-
2009 School Facility Bridge Funding Program	14,300,000	-	-	14,300,000	-
2009 School Facility Bridge Funding Program Premium	516,266	-	19,195	497,071	-
2012 Refinancing Lease	6,325,000	-	395,000	5,930,000	405,000
2012 Refinancing Lease Premium	105,626	-	8,922	96,704	-
Capital Leases	306,766	-	67,114	239,652	59,914
Compensated Absences	392,406	122,165	-	514,571	-
Supplemental Employee Retirement Plan	8,897,146	-	2,219,811	6,677,335	2,155,636
OPEB obligation, net	4,407,861	1,379,256	803,968	4,983,149	-
	<u>\$ 221,207,827</u>	<u>\$ 132,342,390</u>	<u>\$ 94,014,758</u>	<u>\$ 259,535,459</u>	<u>\$ 14,857,510</u>

- Payments for bonds associated with General Obligation Bonds are made in the Bond Interest and Redemption Fund.
- Payments on 2009 School Facility Bridge Funding Program Premium - Certificates of Participation and 2012 Refinancing Lease are made in the Educational Facilities Corporation Debt Service Fund.
- Payments for Capital Leases are made in the General Fund, Child Development Fund, and Capital Facilities Fund.
- Payments for Compensated Absences are typically liquidated in the General Fund and Non-Major Governmental Funds.
- Payments for the Supplemental Employee Retirement Plan are made in the General Fund.
- Payments for OPEB obligation are made in the General Fund.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding		Capital		Bonds	
				Beginning of Year	Issued	Appreciation	Redeemed	Outstanding End of Year	Due in One Year
9/1/98	9/1/23	4.05-5.3%	\$ 25,999,501	\$ 34,949,598	\$ -	\$ 1,698,979	\$ 4,575,000	\$ 32,073,577	\$ 4,571,960
8/29/01	9/1/23	2.25-5.31%	11,499,326	2,566,846	-	164,021	-	2,730,867	-
5/29/03	9/1/27	2.0-5.12%	16,904,284	328,650	-	34,212	-	362,862	-
8/18/05	9/1/15	3.5-5.125%	23,495,000	730,000	-	-	730,000	-	-
1/10/07	9/1/30	3.5-5.5%	95,000,000	86,040,000	-	-	81,345,000	4,695,000	2,150,000
9/10/08	9/1/33	3.5-5.7%	24,996,844	31,954,710	-	1,726,769	240,000	33,441,479	245,000
12/15/11	9/1/18	1.95%	4,690,000	2,540,000	-	-	710,000	1,830,000	720,000
7/31/12	9/1/26	2.0-3.375%	11,425,000	10,465,000	-	-	725,000	9,740,000	740,000
6/20/13	9/1/29	2.0-3.50%	15,640,000	15,245,000	-	-	160,000	15,085,000	895,000
7/30/15	9/1/44	1.5-5.0%	38,401,818	-	38,401,818	169,049	-	38,570,867	2,625,000
7/30/15	9/1/26	2.0-5.0%	40,090,000	-	40,090,000	-	850,000	39,240,000	-
4/27/16	9/1/30	2.0-5.0%	32,945,000	-	32,945,000	-	-	32,945,000	290,000
				<u>\$ 184,819,804</u>	<u>\$ 111,436,818</u>	<u>\$ 3,793,030</u>	<u>\$ 89,335,000</u>	<u>\$ 210,714,652</u>	<u>\$ 12,236,960</u>

Debt Service Requirements to Maturity

1998 Series A Bonds

In September 1998, the District issued \$25,999,501 of the 1998 General Obligation Bonds, Series A. The bonds mature on September 1, 2023, with interest yields ranging from 4.05 to 5.30 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2016, the principal balance outstanding was \$32,073,577.

The bonds mature through 2024 as follows:

Fiscal Year	Principal Including Accreted	Future Interest	Total
	Interest to Date	Accretion	
2017	\$ 4,571,960	\$ 93,040	\$ 4,665,000
2018	4,427,374	332,626	4,760,000
2019	4,286,484	568,516	4,855,000
2020	4,145,442	804,558	4,950,000
2021	4,013,644	1,036,356	5,050,000
2022-2024	10,628,673	4,166,327	14,795,000
Total	<u>\$ 32,073,577</u>	<u>\$ 7,001,423</u>	<u>\$ 39,075,000</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1998 Series B Bonds

In August 2001, the District issued \$11,499,326 of the 1998 General Obligation Bonds, Series B. The bonds mature on September 1, 2023, with interest yields ranging from 2.25 to 5.31 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2016, the principal balance outstanding was \$2,730,867.

The bonds mature through 2024 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Future Interest Accretion	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	615,383	144,617	760,000
2021	577,868	182,132	760,000
2022-2024	1,537,616	752,384	2,290,000
Total	\$ 2,730,867	\$ 1,079,133	\$ 3,810,000

2002 Series A Bonds

In May 2003, the District issued \$16,904,284 of the 2002 General Obligation Bonds, Series A. The bonds mature on September 1, 2027, with interest yields ranging from 2.00 to 5.12 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2016, the principal balance outstanding was \$362,862.

The bonds mature through 2028 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Future Interest Accretion	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2028	362,862	797,138	1,160,000
Total	\$ 362,862	\$ 797,138	\$ 1,160,000

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2006 Series 2007 Bonds

In October 2007, the District issued \$95,000,000 of the 2006 General Obligation Bonds, Series 2007. The bonds mature on September 1, 2030, with interest yields ranging from 3.5 to 5.5 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2016, the principal balance outstanding was \$4,695,000.

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 2,150,000	\$ 186,375	\$ 2,336,375
2017	2,545,000	63,625	2,608,625
Total	\$ 4,695,000	\$ 250,000	\$ 4,945,000

2006 Series 2008 Bonds

In September 2008, the District issued \$24,996,844 of the 2006 General Obligation Bonds, Series 2008. The bonds mature on September 1, 2033, with interest yields ranging from 3.5 to 5.7 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2016, the principal balance outstanding was \$33,441,479.

The bonds mature through 2034 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Interest and Future Interest Accretion	Total
2017	\$ 245,000	\$ 46,413	\$ 291,413
2018	255,000	37,663	292,663
2019	265,000	27,900	292,900
2020	280,000	17,000	297,000
2021	285,000	75,945	360,945
2022-2026	6,030,666	3,399,579	9,430,245
2027-2031	10,771,226	10,353,774	21,125,000
2032-2034	15,309,587	24,275,413	39,585,000
Total	\$ 33,441,479	\$ 38,233,687	\$ 71,675,166

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

2011 Series Refunding Bonds

In December 2011, the District issued \$4,690,000 of the 2011 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2018, with an interest yield of 1.95 percent. The proceeds from the sale of the bonds were used to refund the current interest bonds related to the 1998 Series B. At June 30, 2016, the principal balance outstanding was \$1,830,000.

The bonds mature through 2019 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 720,000	\$ 32,224	\$ 752,224
2018	740,000	18,086	758,086
2019	370,000	3,608	373,608
Total	<u>\$ 1,830,000</u>	<u>\$ 53,918</u>	<u>\$ 1,883,918</u>

2012 Series Refunding Bonds

In July 2012, the District issued \$11,425,000 of the 2012 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2026, with interest yields ranging from 2.0 to 3.375 percent. The proceeds from the sale of the bonds were used to refund the current interest bonds related to the 2002 Series A. At June 30, 2016, the principal balance outstanding was \$9,740,000 and unamortized premium on issuance was \$557,977.

The bonds mature through 2027 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 740,000	\$ -	\$ 740,000
2018	750,000	-	750,000
2019	770,000	-	770,000
2020	800,000	-	800,000
2021	835,000	-	835,000
2022-2026	4,785,000	-	4,785,000
2027	1,060,000	-	1,060,000
Total	<u>\$ 9,740,000</u>	<u>\$ -</u>	<u>\$ 9,740,000</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2013 Series Refunding Bonds

In June 2013, the District issued \$15,640,000 of the 2013 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2029, with interest yields ranging from 2.0 to 3.5 percent. The proceeds from the sale of the bonds were used to refund the current interest bonds related to the 2002 Series B. At June 30, 2016, the principal balance outstanding was \$15,085,000 and unamortized premium on issuance was \$490,518.

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 895,000	\$ 492,864	\$ 1,387,864
2018	910,000	476,494	1,386,494
2019	915,000	458,244	1,373,244
2020	935,000	435,069	1,370,069
2021	960,000	406,644	1,366,644
2022-2026	5,415,000	1,383,994	6,798,994
2027-2030	5,055,000	349,834	5,404,834
Total	\$ 15,085,000	\$ 4,003,143	\$ 19,088,143

2014 Series, 2015 Bonds

In July 2015, the District issued \$38,401,818 of the 2014 General Obligation Bonds, Series 2015. The bonds mature on September 1, 2044, with interest yields ranging from 1.5 to 5.0 percent. The proceeds from the sale of the bonds were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2016, the principal balance outstanding was \$38,570,867 and unamortized premium on issuance was \$1,435,496.

The bonds mature through 2045 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Interest and Future Interest Accretion	Total
2017	\$ 2,625,000	\$ 1,271,394	\$ 3,896,394
2018	1,900,000	1,232,706	3,132,706
2019	1,880,000	1,185,506	3,065,506
2020	880,000	1,144,106	2,024,106
2021	920,000	1,117,106	2,037,106
2022-2026	5,845,000	4,965,331	10,810,331
2027-2031	7,170,825	3,364,372	10,535,197
2032-2036	1,735,792	5,012,208	6,748,000
2037-2041	4,264,250	6,790,450	11,054,700
2042-2045	11,350,000	977,200	12,327,200
Total	\$ 38,570,867	\$ 27,060,379	\$ 65,631,246

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

2015 Series Refunding Bonds

In July 2015, the District issued \$40,090,000 of the 2015 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2026, with interest yields ranging from 2.0 to 5.0 percent. The proceeds from the sale of the bonds were used to refund a portion of bonds related to the 2006 Series 2007 Bonds. The refunding resulted in a cumulative cash flow saving of \$2,935,739 over the life of the new debt and an economic gain of \$2,863,856 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.51 percent. At June 30, 2016, the principal balance outstanding was \$39,240,000 and unamortized premium on issuance and deferred charge on refunding were \$6,375,946 and \$1,917,619, respectively.

The bonds mature through 2027 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ -	\$ 1,962,000	\$ 1,962,000
2018	-	1,962,000	1,962,000
2019	-	1,962,000	1,962,000
2020	3,140,000	1,883,500	5,023,500
2021	3,585,000	1,715,375	5,300,375
2022-2026	25,795,000	5,167,375	30,962,375
2027	6,720,000	168,000	6,888,000
Total	<u>\$ 39,240,000</u>	<u>\$ 14,820,250</u>	<u>\$ 54,060,250</u>

2016 Series Refunding Bonds

In April 2016, the District issued \$32,945,000 of the 2016 Series General Obligation Refunding Bonds. The bonds mature on September 1, 2030, with interest yields ranging from 2.0 to 3.5 percent. The proceeds from the sale of the bonds were used to refund a portion of bonds related to the 2006 Series 2007 Bonds. At June 30, 2016, the principal balance outstanding was \$32,945,000 and unamortized premium on issuance and deferred charge on refunding were \$6,722,388 and \$4,261,289, respectively.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 290,000	\$ 1,338,373	\$ 1,628,373
2018	-	1,582,550	1,582,550
2019	2,510,000	1,544,900	4,054,900
2020	-	1,507,250	1,507,250
2021	-	1,507,250	1,507,250
2022-2026	-	7,536,250	7,536,250
2027-2031	30,145,000	4,668,375	34,813,375
Total	<u>\$ 32,945,000</u>	<u>\$ 19,684,948</u>	<u>\$ 52,629,948</u>

Certificates of Participation

On April 16, 2009, the District, pursuant to a lease purchase agreement with the Murrieta School District Educational Facilities Corporation (the Corporation), issued 2009 School Facility Bridge Funding Program Certificates of Participation in the amount of \$56,000,000. The certificates mature May 1, 2041, with initial interest rates determined weekly. The District may elect to have all or a portion of the certificates interest rates converted from the weekly rate mode to either an extended rate mode or a fixed rate mode. Proceeds from the sale of the certificates will be used to finance the cost of certain capital improvements within the District, fund a reserve fund for the certificates, pay capitalized interest with respect to the certificates, and to pay costs incurred in connection with the execution and delivery of the certificates. At June 30, 2016, the principal balance outstanding was \$14,300,000 and unamortized premium was \$477,876.

The certificates mature through 2041 as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ 822,250	\$ 822,250
2018	-	822,250	822,250
2019	-	822,250	822,250
2020	-	822,250	822,250
2021	-	822,250	822,250
2022-2026	-	4,111,250	4,111,250
2027-2031	-	4,111,250	4,111,250
2032-2036	4,210,000	3,807,075	8,017,075
2037-2041	10,090,000	1,874,500	11,964,500
Total	<u>\$ 14,300,000</u>	<u>\$ 18,015,325</u>	<u>\$ 32,315,325</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

On May 17, 2012, the District issued \$7,495,000 of the 2012 Refinancing Lease. The bonds mature on September 1, 2027, with an interest yield of 3.45 percent. The proceeds from the sale of the bonds were used to refund the outstanding 2001 certificates of participation. At June 30, 2016, the principal balance outstanding was \$5,930,000 and unamortized premium was \$115,899.

The bonds mature through 2028 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 405,000	\$ 201,135	\$ 606,135
2018	420,000	186,990	606,990
2019	435,000	172,414	607,414
2020	450,000	157,320	607,320
2021	465,000	141,623	606,623
2022-2026	2,590,000	452,640	3,042,640
2027-2028	<u>1,165,000</u>	<u>45,540</u>	<u>1,210,540</u>
Total	<u>\$ 5,930,000</u>	<u>\$ 1,357,662</u>	<u>\$ 7,287,662</u>

Capital Leases

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

Balance, July 1, 2015	\$ 306,766
Payments	<u>67,114</u>
Balance, June 30, 2016	<u>\$ 239,652</u>

The capital leases have minimum lease payments as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2017	\$ 59,914
2018	59,913
2019	59,913
2020	<u>59,912</u>
Present Value of Minimum Lease Payments	<u>\$ 239,652</u>

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

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$514,571.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401 A of the Internal Revenue Code. Eligibility requirements are that the employees attain age 50 with at least 10 years of service with the District. The retirees receive annual benefit payments ranging from \$1,250 to \$3,000 for a term of five years. This benefit is paid out annually to the retiree in equal installments. Currently, there are 299 employees participating in the plan and the District's obligation to those retirees as of June 30, 2016, is \$6,677,335.

Future payments are as follows:

<u>Fiscal Year</u>	<u>Annual Payment</u>
2017	\$ 2,155,636
2018	1,507,233
2019	1,507,233
2020	1,507,233
Total	<u>\$ 6,677,335</u>

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$1,158,863, and contributions made by the District during the year were \$608,549. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$220,393 and (\$195,419), respectively, which resulted in an increase to the net OPEB obligation of \$575,288. As of June 30, 2016, the net OPEB obligation was \$4,983,149. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facilities Districts and the Public Financing Authorities, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$108,430,000 as of June 30, 2016, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ 14,730	\$ 29,730
Stores inventories	-	-	-	79,580	79,580
Total Nonspendable	15,000	-	-	94,310	109,310
Restricted					
Legally restricted programs	4,458,215	-	-	1,924,594	6,382,809
Capital projects	-	25,808,254	-	10,399,547	36,207,801
Debt services	-	-	19,642,220	2,479,350	22,121,570
Total Restricted	4,458,215	25,808,254	19,642,220	14,803,491	64,712,180
Committed					
Adult education program	-	-	-	282,051	282,051
Deferred maintenance program	-	-	-	-	-
Total Committed	-	-	-	282,051	282,051
Assigned					
Medi-Cal LEA Audit 10-11	656,053	-	-	-	656,053
Medi-Cal					
Administrative Activities	360,853	-	-	-	360,853
Outstanding Mandates					
One-Time 15-16	9,588,479	-	-	-	9,588,479
Donations	443,607	-	-	-	443,607
Site Safety Awards	33,047	-	-	-	33,047
Green Team Schools	43,889	-	-	-	43,889
Microsoft Technology	15,335	-	-	-	15,335
Non Resident Student Fees	283,077	-	-	-	283,077
Site Supplementary					
Discretionary	703,461	-	-	-	703,461
Lottery - Site Carryover	5,037	-	-	-	5,037
Total Assigned	12,132,838	-	-	-	12,132,838
Unassigned					
Economic uncertainties	5,995,564	-	-	-	5,995,564
Remaining unassigned	9,942,259	-	-	-	9,942,259
Total Unassigned	15,937,823	-	-	-	15,937,823
Total	\$ 32,543,876	\$ 25,808,254	\$ 19,642,220	\$ 15,179,852	\$ 93,174,202

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides the equivalent of the lowest HMO medical premium (health, dental, and vision) as it exists in the year of retirement for full-time bargaining unit members. Retirees may include eligible dependents in the Plan, however, the cost difference greater than employee-only coverage will be paid by the retiree. Membership of the Plan consists of 132 retirees and beneficiaries currently receiving benefits and 1,657 active Plan members.

Contribution Information

The contribution requirements of the Plan members and the District are established and may be amended by the District and the Murrieta Teachers Association (MTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through the agreements between the District, FEA, CSEA, and the unrepresented groups. For fiscal year 2015-2016, the District contributed \$608,549 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,158,863
Interest on net OPEB obligation	220,393
Adjustment to annual required contribution	<u>(195,419)</u>
Annual OPEB cost (expense)	1,183,837
Contributions made	<u>(608,549)</u>
Increase in net OPEB obligation	575,288
Net OPEB obligation, beginning of year	<u>4,407,861</u>
Net OPEB obligation, end of year	<u>\$ 4,983,149</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Trend Information

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 1,021,351	\$ 266,868	26.13%	\$ 3,503,773
2015	1,178,715	274,627	23.30%	4,407,861
2016	1,183,837	608,549	51.40%	4,983,149

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
February 1, 2015	\$ -	\$8,681,046	\$ 8,681,046	0%	\$ 119,544,376	7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2015, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return. Healthcare cost trend rates were assumed at four percent per year. The UAAL is being amortized at a level percentage payroll method. A closed 30-year amortization period was used for the initial UAAL and an open 30 year amortization period for any residual UAAL. The remaining amortization period at February 1, 2015, was 25 years for the initial UAAL and 30 years for any residual UAAL. The actuarial value of assets was not determined in this actuarial valuation. The allocation of OPEB cost is based on years of service. The level percentage of payroll method was used to allocate OPEB cost over years of service. Entry age is based on the average age at hire for eligible employees. The attribution period is determined as the difference between the average retirement age and the average age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated. To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

NOTE 13 - RISK MANAGEMENT

The District is self-insured through a pooled joint powers authority (JPA) mechanism for property damage with coverage up to a maximum of \$250 million, subject to various sub-limits generally ranging from \$100,000 to \$25 million, with a member retained limit of \$5,000. The District is similarly self-insured through a pooled workers compensation JPA mechanism with coverage up to \$25 million and a member retained limit of \$5,000. 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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 140,719,047	\$ 34,419,746	\$ 24,909,680	\$ 13,214,360
CalPERS	43,578,380	15,446,071	11,327,023	4,503,961
Total	<u>\$ 184,297,427</u>	<u>\$ 49,865,817</u>	<u>\$ 36,236,703</u>	<u>\$ 17,718,321</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, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$10,689,981.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$	140,719,047
State's proportionate share of the net pension liability associated with the District		<u>74,424,863</u>
Total	\$	<u>215,143,910</u>

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively, was 0.2090 percent and 0.1888 percent, resulting in a net increase in the proportionate share of 0.0203 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$13,214,360. In addition, the District recognized revenue and pension expense of \$5,765,042 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 10,689,981	\$ -
Net change in proportionate share of net pension liability	12,642,423	-
Differences between projected and actual earnings on pension plan investments	11,087,342	22,558,231
Differences between expected and actual experience in the measurement of the total pension liability	-	<u>2,351,449</u>
Total	<u>\$ 34,419,746</u>	<u>\$ 24,909,680</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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
2017	\$ (4,747,575)
2018	(4,747,575)
2019	(4,747,575)
2020	2,771,836
Total	<u>\$ (11,470,889)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the expected remaining service life (EARSL) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 1,715,162
2018	1,715,162
2019	1,715,162
2020	1,715,162
2021	1,715,163
Thereafter	1,715,163
Total	<u>\$ 10,290,974</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 212,474,809
Current discount rate (7.60%)	140,719,047
1% increase (8.60%)	81,084,220

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] 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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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, 2016, are presented above and the total District contributions were \$4,263,946.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$43,578,380. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively, was 0.2956 percent and 0.2894 percent, resulting in a net increase in the proportionate share of 0.0062 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$4,503,961. At June 30, 2016, 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	\$ 4,263,946	\$ -
Net change in proportionate share of net pension liability	1,534,271	-
Difference between projected and actual earnings on pension plan investments	7,157,285	8,649,446
Differences between expected and actual experience in the measurement of the total pension liability	2,490,569	-
Changes of assumptions	-	2,677,577
Total	<u>\$ 15,446,071</u>	<u>\$ 11,327,023</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
2017	\$ (1,093,827)
2018	(1,093,827)
2019	(1,093,827)
2020	1,789,320
Total	<u>\$ (1,492,161)</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the expected average remaining service life (EARSL) of all member that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 592,854
2018	592,854
2019	161,555
Total	<u>\$ 1,347,263</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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 70,927,443
Current discount rate (7.65%)	43,578,380
1% increase (8.65%)	20,835,806

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$6,210,515 (7.12589 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

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, 2016.

Litigation

The District is involved in various litigations 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, 2016.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
District-wide Audio Visual Upgrades	\$ 9,000,000	January 2017
Vista Murrieta Stadium Upgrades	1,400,000	November 2016
District-wide Asphalt/Slurry Parking lots/Playgrounds	300,000	September 2016
Flooring (Cole, Monte Vista, Shivela, Thompson, MVHS)	465,000	January 2017
Roofing (Antelope, Murrieta Creek Academy, Curran, Rail, Warm Springs, MVHS, VMHS)	1,000,000	November 2016
	\$ 12,165,000	

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

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

During the year ended June 30, 2016, the District made payments of \$1,199,822, \$3,653,213, and \$21,298,503 to RSIA, RSRMA, and REEP, respectively, for its property liability, workers' compensation, and health coverage.

REQUIRED SUPPLEMENTARY INFORMATION

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 167,090,793	\$ 168,319,430	\$168,433,423	\$ 113,993
Federal sources	7,763,135	7,953,568	7,618,804	(334,764)
Other State sources	18,840,251	25,609,595	25,862,090	252,495
Other local sources	15,019,448	16,361,493	17,224,266	862,773
Total Revenues ¹	<u>208,713,627</u>	<u>218,244,086</u>	<u>219,138,583</u>	<u>894,497</u>
EXPENDITURES				
Current				
Certificated salaries	96,496,791	100,469,390	100,533,969	(64,579)
Classified salaries	33,944,699	35,160,516	34,858,368	302,148
Employee benefits	35,193,705	41,401,509	43,291,144	(1,889,635)
Books and supplies	6,478,728	6,103,153	5,835,864	267,289
Services and operating expenditures	17,245,571	16,402,084	13,706,336	2,695,748
Capital outlay	330,997	1,004,291	1,361,609	(357,318)
Other outgo	162,000	162,000	(380,501)	542,501
Debt service				
Principal	395,000	395,000	395,000	-
Interest	214,763	214,763	214,763	-
Total Expenditures ¹	<u>190,462,254</u>	<u>201,312,706</u>	<u>199,816,552</u>	<u>1,496,154</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,251,373</u>	<u>16,931,380</u>	<u>19,322,031</u>	<u>2,390,651</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(503,056)	(501,563)	(35,577)	465,986
NET CHANGE IN FUND BALANCES				
Fund Balance - Beginning	<u>13,257,422</u>	<u>13,257,422</u>	<u>13,257,422</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 31,005,739</u>	<u>\$ 29,687,239</u>	<u>\$ 32,543,876</u>	<u>\$ 2,856,637</u>

¹ On behalf payments of \$6,210,515 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([(b - a] / c)
October 1, 2010	\$ -	\$ 5,558,674	\$ 5,558,674	0%	\$ 106,586,471	5%
February 1, 2013	-	7,897,137	7,897,137	0%	102,505,354	8%
February 1, 2015	-	8,681,046	8,681,046	0%	119,544,376	7%

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.2090%</u>	<u>0.1888%</u>
District's proportionate share of the net pension liability (asset)	\$ 140,719,047	\$ 110,308,530
State's proportionate share of the net pension liability (asset) associated with the District	<u>74,424,863</u>	<u>66,609,053</u>
Total	<u>\$ 215,143,910</u>	<u>\$ 176,917,583</u>
District's covered - employee payroll	<u>\$ 99,627,036</u>	<u>\$ 96,586,757</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>141.25%</u>	<u>114.21%</u>
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.2956%</u>	<u>0.2894%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 43,578,380</u>	<u>\$ 32,854,704</u>
District's covered - employee payroll	<u>\$ 35,991,779</u>	<u>\$ 33,272,135</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>121.08%</u>	<u>98.75%</u>
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 10,689,981	\$ 8,576,904
Contributions in relation to the contractually required contribution	<u>10,689,981</u>	<u>8,576,904</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 99,627,036</u>	<u>\$ 96,586,757</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
 CalPERS		
Contractually required contribution	\$ 4,263,946	\$ 3,916,463
Contributions in relation to the contractually required contribution	<u>4,263,946</u>	<u>3,916,463</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>35,991,779</u>	<u>\$ 33,272,135</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

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

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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.

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.

NOTE 2 - CHANGES IN BENEFIT TERMS AND assumptions

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	\$ 55,367
Adult Basic Education - Adult Secondary	84.002	13978	43,520
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	36,978
Total Adult Education - Basic Grants to States Cluster			135,865
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	96,441
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	1,812,141
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	15,525
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	186,254
Elementary and Secondary School Counseling Grant	84.125E	[1]	339,156
Federal Impact Aid (ESEA, Title VIII)	84.041	10015	11,610
Passed through Riverside County Special Education Local Plan Area:			
Individuals With Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,855,016
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	1,384
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	83,689
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	203,263
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	166,880
Preschool Staff Development, Part B, Section 619	84.173A	13431	903
Total Special Education (IDEA) Cluster			4,311,135
Total U.S. Department of Education			6,908,127

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Forest Reserve	10.665	10044	\$ 14,684
Passed through CDE:			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.553	13390	7,987
Especially Needy Breakfast	10.553	13526	755,060
National School Lunch Program	10.555	13523	2,621,345
Food Distribution	10.555	13524	<u>323,617</u>
Total Child Nutrition Cluster			<u>3,708,009</u>
Total U.S. Department of Agriculture			<u>3,722,693</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	318,235
Medical Administrative Activities Program	93.778	10060	<u>509,901</u>
Total U.S. Department of Health and Human Services			<u>828,136</u>
Total Federal Programs			<u>\$ 11,458,956</u>

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Robin Crist	President	November 2018
Paul Diffley	Clerk	November 2016
Kenneth C. Dickson	Member	November 2016
Barbara Muir	Member	November 2016
Kris Thomasian	Member	November 2018

ADMINISTRATION

Patrick Kelley	Superintendent
Stacy Coleman	Assistant Superintendent, Business Services
William Olien	Assistant Superintendent, Facilities/Operational Services
Darren Daniel	Assistant Superintendent, Human Resources
Pamela Wilson	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2016

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,541.50	5,562.37
Fourth through sixth	4,752.20	4,759.52
Seventh and eighth	3,430.02	3,434.77
Ninth through twelfth	7,978.17	7,926.65
Total Regular ADA	<u>21,701.89</u>	<u>21,683.31</u>
Extended Year Special Education		
Transitional kindergarten through third	2.84	2.84
Fourth through sixth	1.91	1.91
Seventh and eighth	1.31	1.31
Ninth through twelfth	2.22	2.22
Total Extended Year Special Education	<u>8.28</u>	<u>8.28</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.78	0.84
Fourth through sixth	2.57	1.98
Seventh and eighth	2.09	1.92
Ninth through twelfth	11.58	10.24
Total Special Education, Nonpublic, Nonsectarian Schools	<u>17.02</u>	<u>14.98</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.03	0.03
Fourth through sixth	0.11	0.22
Seventh and eighth	0.49	0.49
Ninth through twelfth	1.78	1.78
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>2.41</u>	<u>2.52</u>
Total ADA	<u><u>21,729.60</u></u>	<u><u>21,709.09</u></u>

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87	2015-16	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,415	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,775	180	N/A	Complied
Grade 2		52,775	180	N/A	Complied
Grade 3		52,775	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,575	180	N/A	Complied
Grade 5		54,575	180	N/A	Complied
Grade 6		54,480	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,480	180	N/A	Complied
Grade 8		54,480	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,970	180	N/A	Complied
Grade 10		65,970	180	N/A	Complied
Grade 11		65,970	180	N/A	Complied
Grade 12		65,970	180	N/A	Complied

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND				
Revenues	\$221,617,377	\$219,138,583	\$186,565,606	\$173,090,002
Expenditures	220,253,989	199,816,552	187,268,177	172,413,542
Other uses and transfers out	-	35,577	484,086	727,248
Total Expenditures and Other Uses	220,253,989	199,852,129	187,752,263	173,140,790
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,363,388	\$ 19,286,454	\$ (1,186,657)	\$ (50,788)
ENDING FUND BALANCE	\$ 33,907,264	\$ 32,543,876	\$ 13,257,422	\$ 14,444,079
AVAILABLE RESERVES ²	\$ 16,410,802	\$ 15,643,100	\$ 8,449,604	\$ 7,361,270
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	7.45%	8.08%	4.61%	4.36%
LONG-TERM OBLIGATIONS	N/A	\$259,535,459	\$221,207,827	\$219,530,850
K-12 AVERAGE DAILY ATTENDANCE AT P-2	21,739	21,730	21,599	21,992

The General Fund balance has increased by \$18,099,797 over the past two years. The fiscal year 2016-2017 budget projects a further increase of \$1,363,388 (4.19 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2016-2017 fiscal year. Total long-term obligations have increased by \$40,004,609 over the past two years.

Average daily attendance has decreased by 262 over the past two years. Growth of 9 ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

³ On behalf payments of \$6,210,515, \$4,534,210, and \$4,453,122, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014, respectively.

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2016

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 109,456	\$ 414,868	\$ 1,148,145	\$ -
Receivables	243,183	122,924	1,048,301	-
Due from other funds	35,577	-	2,674	-
Stores inventories	-	-	79,580	-
Total Assets	\$ 388,216	\$ 537,792	\$ 2,278,700	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 10,551	\$ 70,072	\$ 21,583	\$ -
Due to other funds	22,870	163,164	328,015	-
Unearned revenue	-	80,872	206,626	-
Total Liabilities	33,421	314,108	556,224	-
Fund Balances:				
Nonspendable	-	-	94,310	-
Restricted	72,744	223,684	1,628,166	-
Committed	282,051	-	-	-
Total Fund Balances	354,795	223,684	1,722,476	-
Total Liabilities and Fund Balances	\$ 388,216	\$ 537,792	\$ 2,278,700	\$ -

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
\$ 5,788,018	\$ -	\$ 3,087,218	\$ 2,479,350	\$ 13,027,055
1,686,459	-	-	-	3,100,867
-	-	-	-	38,251
-	-	-	-	79,580
<u>\$ 7,474,477</u>	<u>\$ -</u>	<u>\$ 3,087,218</u>	<u>\$ 2,479,350</u>	<u>\$ 16,245,753</u>
\$ 162,093	\$ -	\$ -	\$ -	\$ 264,299
55	-	-	-	514,104
-	-	-	-	287,498
<u>162,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,065,901</u>
-	-	-	-	94,310
7,312,329	-	3,087,218	2,479,350	14,803,491
-	-	-	-	282,051
<u>7,312,329</u>	<u>-</u>	<u>3,087,218</u>	<u>2,479,350</u>	<u>15,179,852</u>
<u>\$ 7,474,477</u>	<u>\$ -</u>	<u>\$ 3,087,218</u>	<u>\$ 2,479,350</u>	<u>\$ 16,245,753</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ 135,865	\$ 312,571	\$ 3,708,009	\$ -
Other State sources	330,316	1,413,698	268,538	-
Other local sources	344,664	1,811,267	3,150,144	4
Total Revenues	<u>810,845</u>	<u>3,537,536</u>	<u>7,126,691</u>	<u>4</u>
EXPENDITURES				
Current				
Instruction	176,627	1,465,720	-	-
Instruction-related activities:				
Supervision of instruction	-	295,324	-	-
School site administration	256,664	21,508	-	-
Pupil services:				
Food services	-	-	6,714,871	-
Administration:				
All other administration	15,580	162,493	325,828	-
Plant services	1,728	408	-	-
Facility acquisition and construction	-	-	-	3,191
Community services	8,048	1,300,444	-	-
Enterprise services	326,071	841	-	-
Debt service				
Principal	-	67,114	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>784,718</u>	<u>3,313,852</u>	<u>7,040,699</u>	<u>3,191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,127</u>	<u>223,684</u>	<u>85,992</u>	<u>(3,187)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	35,577	-	-	-
Other sources	-	-	-	-
Net Financing Sources (Uses)	<u>35,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	61,704	223,684	85,992	(3,187)
Fund Balance - Beginning	<u>293,091</u>	<u>-</u>	<u>1,636,484</u>	<u>3,187</u>
Fund Balance - Ending	<u>\$ 354,795</u>	<u>\$ 223,684</u>	<u>\$ 1,722,476</u>	<u>\$ -</u>

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 4,156,445
-	-	-	-	2,012,552
2,930,843	87	773	551,439	8,789,221
<u>2,930,843</u>	<u>87</u>	<u>773</u>	<u>551,439</u>	<u>14,958,218</u>
-	-	-	-	1,642,347
-	-	-	-	295,324
-	-	-	-	278,172
-	-	-	-	6,714,871
675,981	-	-	-	1,179,882
119,401	-	-	-	121,537
2,330,986	37,444	-	-	2,371,621
-	-	-	-	1,308,492
-	-	-	-	326,912
-	-	-	-	67,114
-	-	-	822,250	822,250
<u>3,126,368</u>	<u>37,444</u>	<u>-</u>	<u>822,250</u>	<u>15,128,522</u>
<u>(195,525)</u>	<u>(37,357)</u>	<u>773</u>	<u>(270,811)</u>	<u>(170,304)</u>
-	-	-	-	35,577
-	-	2,642,178	-	2,642,178
-	-	2,642,178	-	2,677,755
(195,525)	(37,357)	2,642,951	(270,811)	2,507,451
7,507,854	37,357	444,267	2,750,161	12,672,401
<u>\$ 7,312,329</u>	<u>\$ -</u>	<u>\$ 3,087,218</u>	<u>\$ 2,479,350</u>	<u>\$ 15,179,852</u>

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS – ASSOCIATED STUDENT BODIES
COMBINING STATEMENT – (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

	Antelope Hills Elementary	Alta Murrieta Elementary	Avaxat Elementary	Buchanan Elementary	Dorothy McElhiney Middle
ASSETS					
Deposits and investments	\$ 14,934	\$ 21,842	\$ 3,213	\$ 8,377	\$ 52,938
Receivables	-	149	-	-	-
Stores inventories	-	-	-	-	7,325
Total Assets	\$ 14,934	\$ 21,991	\$ 3,213	\$ 8,377	\$ 60,263
LIABILITIES					
Accounts payable	\$ 3,926	\$ 8,050	\$ 808	\$ 5,193	\$ 26,574
Due to student groups	11,008	13,941	2,405	3,184	33,689
Total Liabilities	\$ 14,934	\$ 21,991	\$ 3,213	\$ 8,377	\$ 60,263

See accompanying note to supplementary information.

Lisa J. Mails Elementary	Murrieta Mesa High	Murrieta Valley High	Rail Ranch Elementary	Shivela Middle	Thompson Middle	Tovashal Elementary
\$ 25,859	\$ 377,251	\$ 426,834	\$ 10,392	\$ 85,791	\$ 73,637	\$ 5,732
-	180	-	-	75	1,682	-
-	5,346	6,483	-	42,202	22,490	-
<u>\$ 25,859</u>	<u>\$ 382,777</u>	<u>\$ 433,317</u>	<u>\$ 10,392</u>	<u>\$ 128,068</u>	<u>\$ 97,809</u>	<u>\$ 5,732</u>
\$ 3,084	\$ 346,430	\$ 163,146	\$ 5,656	\$ 27,103	\$ 82,792	\$ 2,275
22,775	36,347	270,171	4,736	100,965	15,017	3,457
<u>\$ 25,859</u>	<u>\$ 382,777</u>	<u>\$ 433,317</u>	<u>\$ 10,392</u>	<u>\$ 128,068</u>	<u>\$ 97,809</u>	<u>\$ 5,732</u>

**FIDUCIARY FUNDS – ASSOCIATED STUDENT BODIES
 COMBINING STATEMENT – (UNAUDITED) (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2016**

	Vista Murrieta High	Warm Springs Middle	Total Agency Funds
ASSETS			
Deposits and investments	\$ 707,875	\$ 29,913	\$ 1,844,588
Receivables	28,137	5,061	35,284
Stores inventories	<u>18,563</u>	<u>16,388</u>	<u>118,797</u>
Total Assets	<u><u>\$ 754,575</u></u>	<u><u>\$ 51,362</u></u>	<u><u>\$ 1,998,669</u></u>
LIABILITIES			
Accounts payable	\$ 703,312	\$ 7,070	\$ 1,385,419
Due to student groups	<u>51,263</u>	<u>44,292</u>	<u>613,250</u>
Total Liabilities	<u><u>\$ 754,575</u></u>	<u><u>\$ 51,362</u></u>	<u><u>\$ 1,998,669</u></u>

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2016. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Description		
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balances:		\$ 11,775,249
Medi-Cal Billing Option	93.778	(200,725)
Medi-Cal Administrative Activities Program	93.778	(115,568)
Total Schedule of Expenditures of Federal Awards		\$ 11,458,956

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.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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 neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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.

Fiduciary Funds - Associated Student Bodies - Combining Statements

This statement provides information on the District's Associated Student Bodies.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Murrieta Valley Unified School District
Murrieta, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Murrieta Valley Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Murrieta Valley Unified School District's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 31, 2016



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

Governing Board
Murrieta Valley Unified School District
Murrieta, California

Report on Compliance for Each Major Federal Program

We have audited Murrieta Valley Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Murrieta Valley Unified School District's major Federal programs for the year ended June 30, 2016. Murrieta Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Murrieta Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 31, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Murrieta Valley Unified School District
Murrieta, California

Report on State Compliance

We have audited Murrieta Valley Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Murrieta Valley Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Murrieta Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Murrieta Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Murrieta Valley Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Murrieta Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS:	
Contemporaneous Records of Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

The District does not have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

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

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

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 31, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Basic Grants Low Income and Neglected</u>
<u>93.778</u>	<u>Medicaid Cluster</u>

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

STATE AWARDS

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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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