ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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, 2018, 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 *2017-2018 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 Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Murrieta Valley Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 72, schedule of changes in the District's net OPEB liability and related ratios on page 73, schedule of the District's proportionate share of the net pension liability on page 74, and the schedule of District contributions on page 75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018, on our consideration of the Murrieta Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Murrieta Valley Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Murrieta Valley Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 27, 2018

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, 2018, with comparative information from 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

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FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The General Fund revenues totaled $233,619,841 for 2017-2018. Fiscal year 2017-2018 was the fifth year of the Local Control Funding Formula (LCFF). LCFF funding was based on average daily attendance (ADA) equal to 22,036. Student enrollment increased by 142 students over prior year California Longitudinal Pupil Achievement Data System (CALPADS) to 23,120.

- The General Fund expenditures totaled $230,139,092 for 2017-2018. Expenditures included a 5 percent one-time off schedule payment and a 1 percent on schedule increase for all employees. In addition, 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.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was approximately $177.1 million and $177.0 million for the fiscal years ended June 30, 2018 and 2017, respectively. Of this amount, $(165.9) million was deficit unrestricted at June 30, 2018. 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	
	2018	As Restated 2017
Assets		
Current and other assets	$ 109.0	$ 113.6
Capital assets	521.0	513.2
Total Assets	630.0	626.8
Deferred Outflows of Resources	86.5	60.8
Liabilities		
Current liabilities	13.0	11.3
Long-term obligations	257.0	267.2
Aggregate net pension liability	252.2	219.6
Total Liabilities	522.2	498.1
Deferred Inflows of Resources	17.2	12.5
Net Position		
Net investment in capital assets	310.1	308.6
Restricted	32.9	33.8
Unrestricted (Deficit)	(165.9)	(165.4)
Total Net Position	$ 177.1	$ 177.0

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 2018	Governmental Activities 2017
Revenues		
Program revenues:		
Charges for services	$ 3.3	$ 4.8
Operating grants and contributions	47.2	39.5
General revenues:		
Unrestricted Federal and State aid	139.3	137.0
Property taxes	72.7	70.2
Other general revenues	15.8	38.3
Total Revenues	278.3	289.8
Expenses		
Instruction-related	200.7	193.9
Pupil services	27.1	26.2
Administration	14.0	12.9
Plant services	20.8	27.9
Other	15.5	24.9
Total Expenses	278.1	285.8
Change in Net Position	$ 0.2	$ 4.0

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $278.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $72.7 million because the cost was paid by those who benefited from the programs $3.3 million or by other governments and organizations who subsidized certain programs with grants and contributions of $47.2 million. We paid for the remaining "public benefit" portion of our governmental activities, $139.3 million in Federal and State aid, and $16.3 million in other revenues, like interest, and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions including, instruction, 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		Net Cost of Services	
	2018	2017	2018	2017
Instruction	$ 178.7	$ 172.6	$ 151.6	$ 146.2
Instruction-related activities	22.0	21.3	19.3	18.5
Pupil services	27.1	26.2	16.9	15.9
Administration	14.1	12.9	8.8	12.0
Plant services	20.8	27.9	19.9	27.8
Ancillary services	2.9	2.6	2.8	2.6
Community services	2.2	2.0	1.6	1.5
Other governmental activities	10.3	20.3	6.8	17.1
Total	$ 278.1	$ 285.8	$ 227.7	$ 241.6

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $98.1 million (Table 4) in 2018, compared to $104.4 million in 2017.

Table 4

(Amounts in millions)	Fund Balance	
	2018	2017
General Fund	$ 40.3	$ 36.8
Building Fund	9.1	18.7
Capital Facilities Fund	6.2	8.6
Capital Projects Fund for Blended Component Units	15.9	13.7
Bond Interest and Redemption Fund	21.4	20.4
Non-Major Governmental Funds	5.2	6.2
Total	$ 98.1	$ 104.4

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $521.1 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	
	2018	2017
Land and construction in process	$ 39.6	$ 36.0
Buildings and improvements, net of depreciation	478.9	474.5
Equipment, net of depreciation	2.6	2.6
Total	$ 521.1	$ 513.1

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

Long-Term Obligations

At the end of this year, the District had $257.0 million in outstanding long-term obligations. The long-term obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities	
	2018	2017
General obligation bonds	$ 214.4	$ 223.7
Certificates of participation	23.6	24.1
Capitalized lease obligations	0.1	0.2
Other	18.9	11.1
Total	$ 257.0	$ 259.1

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 $252.2 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the District Board of Education and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula
   a. Student enrollment projected the same as prior year equal to 23,120 students;
   b. Funding based on estimated prior year P2 ADA equal to 22,036;
   c. Cost of Living Adjustment equal to 3.0 percent;
   d. Funding gap percentage equal 100.0 percent.

2. Federal revenues maintained at prior year funding levels.

3. State revenues maintained at prior year funding levels and One-Time Funds for Outstanding Mandates equal to $344 per average daily attendance (ADA).

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, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 92,909,047
Receivables	15,978,555
Stores inventories	96,544
Capital assets	
Land and construction in process	39,551,952
Other capital assets	643,276,886
Less: Accumulated depreciation	(161,784,285)
Total Capital Assets	521,044,553
Total Assets	630,028,699
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	5,262,078
Deferred outflows of resources related to pensions	81,203,339
Total Deferred Outflows of Resources	86,465,417
LIABILITIES	
Accounts payable	9,869,156
Accrued Interest payable	2,125,732
Unearned revenue	992,775
Long-term obligations:	
Current portion of long-term obligations other than pension	14,057,146
Noncurrent portion of long-term obligations other than pension	242,965,108
Total Long-Term Obligations	257,022,254
Aggregate net pension liability	252,162,077
Total Liabilities	522,171,994
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	17,165,086
NET POSITION	
Net investment in capital assets	310,143,501
Restricted for:	
Debt service	19,306,728
Capital projects	6,166,212
Educational programs	7,140,431
Other activities	338,987
Unrestricted (Deficit)	(165,938,823)
Total Net Position	$ 177,157,036

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, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities:					
Instruction	$ 178,700,143	$ 26,658	$ 27,029,075	$ 824	$ (151,643,586)
Instruction-related activities:					
Supervision of instruction	6,010,097	5,725	2,173,107	-	(3,831,265)
Instructional library, media, and technology	1,214,085	-	6,539	-	(1,207,546)
School site administration	14,812,774	(10)	590,455	-	(14,222,329)
Pupil services:					
Home-to-school transportation	3,960,725	-	2,899	-	(3,957,826)
Food services	7,674,120	3,111,156	4,503,823	-	(59,141)
All other pupil services	15,427,026	-	2,579,911	-	(12,847,115)
Administration:					
Data processing	3,456,285	-	-	-	(3,456,285)
All other administration	10,603,901	158,729	5,058,609	-	(5,386,563)
Plant services	20,820,728	(7,442)	944,948	-	(19,883,222)
Ancillary services	2,852,382	-	88,346	-	(2,764,036)
Community services	2,158,203	50,420	472,788	-	(1,634,995)
Enterprise services	294,039	-	8,697	-	(285,342)
Interest on long-term obligations	10,198,578	-	-	-	(10,198,578)
Other outgo	33,074	(25,281)	3,746,782	-	3,688,427
Total Governmental Activities	$ 278,216,160	$ 3,319,955	$ 47,205,979	$ 824	(227,689,402)

General revenues and subventions:	
Property taxes, levied for general purposes	53,300,958
Property taxes, levied for debt service	18,602,374
Taxes levied for other specific purposes	780,045
Federal and State aid not restricted to specific purposes	139,330,709
Interest and investment earnings	605,814
Miscellaneous	15,232,179
Subtotal, General Revenues	227,852,079
Change in Net Position	162,677
Net Position - Beginning	185,084,135
Restatement	(8,089,776)
Net Position - Beginning (As Restated)	176,994,359
Net Position - Ending	$ 177,157,036

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 39,500,417	$ 10,363,225	$ 467,640
Receivables	7,247,520	53,512	7,412,470
Due from other funds	588,781	-	50
Stores inventories	-	-	-
Total Assets	$ 47,336,718	$ 10,416,737	$ 7,880,160
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 6,365,298	$ 1,300,508	$ 1,713,949
Due to other funds	3,630	-	-
Unearned revenue	691,284	-	-
Total Liabilities	7,060,212	1,300,508	1,713,949
Fund Balances:			
Nonspendable	15,000	-	-
Restricted	7,140,431	9,116,229	6,166,211
Committed	-	-	-
Assigned	14,868,831	-	-
Unassigned	18,252,244	-	-
Total Fund Balances	40,276,506	9,116,229	6,166,211
Total Liabilities and Fund Balances	$ 47,336,718	$ 10,416,737	$ 7,880,160

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

Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 15,855,653	$ 21,432,460	$ 5,289,652	$ 92,909,047
-	-	1,265,053	15,978,555
-	-	3,580	592,411
-	-	96,544	96,544
$ 15,855,653	$ 21,432,460	$ 6,654,829	$ 109,576,557
$ -	$ -	$ 489,401	$ 9,869,156
-	-	588,781	592,411
-	-	301,491	992,775
-	-	1,379,673	11,454,342
-	-	110,714	125,714
15,855,653	21,432,460	4,792,647	64,503,631
-	-	338,987	338,987
-	-	32,808	14,901,639
-	-	-	18,252,244
15,855,653	21,432,460	5,275,156	98,122,215
$ 15,855,653	$ 21,432,460	$ 6,654,829	$ 109,576,557

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 98,122,215**
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	$ 682,828,838	
Accumulated depreciation is	(161,784,285)	
Net Capital Assets		521,044,553
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities.		5,262,078
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,125,732)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	21,785,352	
Net change in proportionate share of net pension liability	11,981,027	
Differences between projected and actual earnings on pension plan investments	301,833	
Differences between expected and actual experience in the measurement of the total pension liability	3,265,968	
Changes in assumptions	43,869,159	
Total Deferred Outflows of Resources Related to Pensions		81,203,339

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued)
JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(6,763,136)	
Differences between projected and actual earnings on pension plan investments	(6,415,494)	
Differences between expected and actual experience in the measurement of the total pension liability	(3,131,325)	
Changes in assumptions	(855,131)	
Total Deferred Inflows of Resources Related to Pensions		$ (17,165,086)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (252,162,077)
Long-term obligations are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	197,058,837	
Certificates of participation	23,845,000	
Unamortized premium on issuance	13,676,325	
Unamortized discounts on issuance	(324,139)	
Capital lease obligations	119,825	
Supplemental early retirement program	3,014,466	
Compensated absences (vacations)	381,263	
Net other postemployment benefits (OPEB) liability	15,505,979	
In addition, the District has issued 'capital appreciation' public financing authority bonds. The accretion of interest unmatured on the public financing authority bonds to date is:	3,744,698	
Total Long-Term Obligations		(257,022,254)
Total Net Position - Governmental Activities		**$ 177,157,036**

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 184,735,471	$ -	$ -
Federal sources	7,555,281	-	-
Other State sources	23,811,946	-	-
Other local sources	17,517,143	203,325	2,010,356
Total Revenues	233,619,841	203,325	2,010,356
EXPENDITURES			
Current			
Instruction	152,244,212	-	-
Instruction-related activities:			
Supervision of instruction	5,265,170	-	-
Instructional library, media, and technology	1,130,658	-	-
School site administration	13,674,896	-	-
Pupil services:			
Home-to-school transportation	3,726,811	-	-
Food services	33	-	-
All other pupil services	14,479,006	-	-
Administration:			
Data processing	3,341,894	-	-
All other administration	10,062,879	-	710,438
Plant services	21,969,436	3,941,179	236,940
Ancillary services	2,739,176	-	-
Community services	285,642	-	-
Other outgo	33,074	-	-
Enterprise services	668	-	-
Facility acquisition and construction	823,447	5,830,923	8,680,713
Debt service			
Principal	220,000	-	200,000
Interest and other	142,090	-	44,900
Total Expenditures	230,139,092	9,772,102	9,872,991
Excess (Deficiency) of Revenues Over Expenditures	3,480,749	(9,568,777)	(7,862,635)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	5,437,353
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	5,437,353
NET CHANGE IN FUND BALANCES	3,480,749	(9,568,777)	(2,425,282)
Fund Balance - Beginning	36,795,757	18,685,006	8,591,493
Fund Balance - Ending	$ 40,276,506	$ 9,116,229	$ 6,166,211

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

Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 184,735,471
-	-	5,004,551	12,559,832
-	141,042	2,253,958	26,206,946
3,054,526	18,625,749	6,883,111	48,294,210
3,054,526	18,766,791	14,141,620	271,796,459
-	-	1,856,331	154,100,543
-	-	384,069	5,649,239
-	-	-	1,130,658
-	-	153,929	13,828,825
-	-	-	3,726,811
-	-	7,469,059	7,469,092
-	-	52,282	14,531,288
-	-	-	3,341,894
-	-	589,235	11,362,552
-	-	792,741	26,940,296
-	-	-	2,739,176
-	-	1,780,240	2,065,882
-	-	-	33,074
-	-	283,901	284,569
-	-	439,665	15,774,748
-	11,860,000	154,913	12,434,913
-	5,864,844	1,092,488	7,144,322
-	17,724,844	15,048,853	282,557,882
3,054,526	1,041,947	(907,233)	(10,761,423)
-	-	507,240	5,944,593
4,528,466	-	-	4,528,466
(5,436,529)	-	(508,064)	(5,944,593)
(908,063)	-	(824)	4,528,466
2,146,463	1,041,947	(908,057)	(6,232,957)
13,709,190	20,390,513	6,183,213	104,355,172
$ 15,855,653	$ 21,432,460	$ 5,275,156	$ 98,122,215

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (6,232,957)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlay	$ 22,599,302	
Depreciation expense	(14,705,651)	
Net Expense Adjustment		7,893,651
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used was more than amounts earned by $1,507,233. Compensated absences (vacations) used was more than amounts earned by $109,083.		1,616,316
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.		(11,247,574)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(1,304,196)

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

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, 2018

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds	$ 11,860,000	
Certificates of participation	515,000	
Capital lease obligations	59,913	
Combined adjustment		$ 12,434,913
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities. This amount is the net effect of the amortization of the related items:		
Amortization of debt premium	1,185,224	
Amortization of debt discount	(14,093)	
Amortization of deferred amount on refunding	(458,415)	
Combined adjustment		712,716
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation is decreased by $34,506, and second, $3,744,698 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(3,710,192)
Change in Net Position of Governmental Activities		**$ 162,677**

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

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds		
	Debt Service Fund for Special Tax Bonds	**Associated Student Bodies**	**Total Agency Funds**
ASSETS			
Deposits and investments	$ 31,183,207	$ 1,919,453	$ 33,102,660
Receivables	-	29,631	29,631
Stores inventories	-	173,579	173,579
Other current assets	-	17,980	17,980
Total Assets	$ 31,183,207	$ 2,140,643	$ 33,323,850
LIABILITIES			
Accounts payable	$ -	$ 511,107	$ 511,107
Due to student groups	-	1,629,536	1,629,536
Due to bond holders	31,183,207	-	31,183,207
Total Liabilities	$ 31,183,207	$ 2,140,643	$ 33,323,850

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

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.

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

Major Governmental Funds

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

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development approval (Education Code Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

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

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

Non-Major Governmental Funds

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

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

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

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

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition ID), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. 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, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

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.

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding, for pension related items, and for OPEB related items. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment Program (MPP) and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. *(To be used if your clients participates in CalSTRS MPP program and/or has a defined benefit plan that is administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 75)*

Fund Balances - Governmental Funds

As of June 30, 2018, 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 three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $32,952,358 of restricted net position.

Interfund Activity

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

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.

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 District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;

- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB and;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 92,909,047
Fiduciary funds	33,102,660
Total Deposits and Investments	$ 126,011,707

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 3,396,691
Cash in revolving	29,170
Investments	122,585,846
Total Deposits and Investments	$ 126,011,707

Policies and Practices

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	Not Applicable	20%	10%
Money Market Mutual Funds	Not Applicable	20%	10%
Mortgage Pass-Through Securities	Not Applicable	20%	None
County Pooled Investment Funds	Not Applicable	None	None
Local Agency Investment Fund (LAIF)	Not Applicable	None	None
Joint Powers Authority Pools	Not Applicable	None	None

Authorized Under Debt Agreements

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

Interest Rate Risk

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

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

Investment Type	Fair Value	Weighted Average Maturity in Years
Money Market - Treasury Cash Management	$ 49,944,284	0.07
Riverside County Treasury Investment Pool	72,233,606	1.17
Total	$ 122,177,890	

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.

		Minimum	Rating as of Year End	
		Legal	Fitch/S&P	Moody's
Investment Type	Fair Value	Rating	AAAmmf	Aaa-bf
Money Market - Treasury Cash Management	$ 49,944,284	Not Required	$ 49,944,284	$ -
Riverside County Treasury Investment Pool	72,233,606	Not Required	-	72,233,606
Total	$ 122,177,890		$ 49,944,284	$ 72,233,606

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, 2018, the District's bank balance of $4,926,006 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30,2018:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs	Uncategorized
Money Market - Treasury Cash Management	$ 49,944,284	$ 49,944,284	$ -
Riverside County Treasury Investment Pool	72,233,606	-	72,233,606
Total	$ 122,177,890	$ 49,944,284	$ 72,233,606

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Federal Government						
Categorical aid	$ 1,675,270	$ -	$ -	$ 807,840	$ 2,483,110	$ -
State Government						
Principal apportionment	2,615	-	-	-	2,615	-
Categorical aid	3,063,669	-	-	266,753	3,330,422	-
Lottery	481,611	-	-	-	481,611	-
Local Government						
Interest	198,487	50,868	4,928	6,690	260,973	-
Other Local Sources	1,825,868	2,644	7,407,542	183,770	9,419,824	29,631
Total	$ 7,247,520	$ 53,512	$ 7,412,470	$ 1,265,053	$ 15,978,555	$ 29,631

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 36,034,082	$ -	$ -	$ 36,034,082
Construction in process	-	3,517,870	-	3,517,870
Total Capital Assets Not Being Depreciated	36,034,082	3,517,870	-	39,551,952
Capital Assets Being Depreciated				
Buildings and improvements	614,616,419	18,706,728	-	633,323,147
Furniture and equipment	9,579,035	374,704	-	9,953,739
Total Capital Assets Being Depreciated	624,195,454	19,081,432	-	643,276,886
Less Accumulated Depreciation				
Buildings and improvements	140,098,486	14,369,729	-	154,468,215
Furniture and equipment	6,980,148	335,922	-	7,316,070
Total Accumulated Depreciation	147,078,634	14,705,651	-	161,784,285
Governmental Activities Capital Assets, Net	$ 513,150,902	$ 7,893,651	$ -	$ 521,044,553

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 14,194,112
Home-to-school transportation	47,675
Food services	32,254
All other administration	379,305
Plant services	52,305
Total Depreciation Expenses Governmental Activities	$ 14,705,651

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, 2018, between major and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 588,781	$ 588,781
Capital Facilities Fund	50	-	50
Non-Major Governmental Funds	3,580	-	3,580
Total	$ 3,630	$ 588,781	$ 592,411

A balance of $368,424 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect costs and reimbursement of costs.

A balance of $207,006 is due to the General Fund from Child Development Non-Major Governmental Fund for indirect costs and reimbursement of costs.

A balance of $13,351 is due to the General Fund from Adult Education Non-Major Governmental Fund for indirect costs and reimbursement of costs.

The balance of $50 is due to the Capital Facilities Fund from the General Fund for the reimbursement of costs.

A balance of $3,079 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for US Bank Armored Car service chargeback.

A balance of $501 is due to the Adult Education Non-Major Governmental Fund from the General Fund for reimbursement of costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfer From		
Transfer To	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total
Capital Facilities Fund	$ 5,436,529	$ 824	$ 5,437,353
Non-Major Governmental Funds	-	507,240	507,240
Total	$ 5,436,529	$ 508,064	$ 5,944,593

The County School Facilities Non-Major Governmental Fund transferred to the Capital Facilities Non-Major Governmental Fund for reimbursement of cost.	$ 824
The Capital Projects Fund for Blended Component Unit transferred to the Capital Facilities Fund for reimbursement of cost	5,436,529
The Educational Facilitied Corporation Debt Services Non-Major Governmental Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay for reimbursement of costs.	507,240
	$ 5,944,593

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

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Vendor payables	$ 1,066,581	$ 293,419	$ 24,607	$ 130,110	$ 1,514,717	$ 511,107
State principal apportionment	2,931,663	-	-	-	2,931,663	-
Salaries and benefits	2,198,385	-	2,086	145,254	2,345,725	-
Construction	9,175	1,007,089	1,434,882	-	2,451,146	-
Other	159,494	-	252,374	214,037	625,905	-
Total	$ 6,365,298	$ 1,300,508	$ 1,713,949	$ 489,401	$ 9,869,156	$ 511,107

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 9,406	$ -	$ 9,406
State categorical aid	463,348	39,959	503,307
Other local	218,530	261,532	480,062
Total	$ 691,284	$ 301,491	$ 992,775

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

A schedule of changes in long-term obligations for the year ended June 30, 2018, is shown below:

	(As Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds	$ 208,918,837	$ 3,744,698	$ 11,860,000	$ 200,803,535	$ 11,970,000
Premium on Issuance	14,773,680	-	1,176,389	13,597,291	-
2012 Refinancing Lease	5,525,000	-	420,000	5,105,000	435,000
2012 Refinancing Lease Premium	87,869	-	8,835	79,034	-
Certificates of Participation	18,835,000	-	95,000	18,740,000	85,000
Discount of Issuance	(338,232)	-	(14,093)	(324,139)	-
Capital Leases	179,738	-	59,913	119,825	59,913
Compensated Absences	490,346	-	109,083	381,263	-
Supplemental Employee Retirement Plan	4,521,699	-	1,507,233	3,014,466	1,507,233
OPEB obligation, net	14,201,783	1,304,196	-	15,505,979	-
	$ 267,195,720	$ 5,048,894	$ 15,222,360	$ 257,022,254	$ 14,057,146

- Payments for bonds associated with General Obligation Bonds are made in the Bond Interest and Redemption Fund.
- Payments on Certificates of Participation, 2012 Refinancing Lease, and payments on the 2016 Refunding Certificates of Participation are made in the Educational Facilities Corporation Debt Service Fund.
- Payments for Capital Leases are made in the General Fund, Child Development Fund, and Capital Facilities Fund.
- Payments for Compensated Absences are typically liquidated in the General Fund and Non-Major Governmental Funds.
- Payments for the Supplemental Employee Retirement Plan are made in the General Fund.
- Payments for Net Other Postemployment Benefits (OPEB) liability are made in the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Capital Appreciation	Redeemed	Bonds Outstanding End of Year	Due in One Year
9/1/23	4.05-5.3%	$ 25,999,501	$ 28,957,460	$ 1,385,664	$ 4,760,000	$ 25,583,124	$ 4,855,000
9/1/23	2.25-5.31%	11,499,326	2,905,369	185,653	-	3,091,022	-
9/1/27	2.0-5.12%	16,904,284	400,636	41,706	-	442,342	-
9/1/30	3.5-5.5%	95,000,000	2,545,000	-	2,545,000	-	-
9/1/33	3.5-5.7%	24,996,844	35,021,693	1,929,289	255,000	36,695,982	265,000
9/1/18	1.95%	4,690,000	1,110,000	-	740,000	370,000	370,000
9/1/26	2.0-3.375%	11,425,000	9,000,000	-	750,000	8,250,000	770,000
9/1/29	2.0-3.50%	15,640,000	14,190,000	-	910,000	13,280,000	915,000
9/1/44	1.5-5.0%	38,401,818	36,138,679	202,386	1,900,000	34,441,065	1,880,000
9/1/26	2.0-5.0%	40,090,000	39,240,000	-	-	39,240,000	-
9/1/30	2.0-5.0%	32,945,000	32,655,000	-	-	32,655,000	2,510,000
9/1/46	2.0-4.0%	6,755,000	6,755,000	-	-	6,755,000	405,000
			$ 208,918,837	$ 3,744,698	$ 11,860,000	$ 200,803,535	$ 11,970,000

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, 2018, the principal balance outstanding was $25,583,124.

The bonds mature through 2024 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Total
2019	$ 4,751,087	$ 103,913	$ 4,855,000
2020	4,596,503	353,497	4,950,000
2021	4,450,364	599,636	5,050,000
2022	4,307,241	842,759	5,150,000
2023	4,171,097	1,083,903	5,255,000
2024	3,306,832	1,083,168	4,390,000
Total	$ 25,583,124	$ 4,066,876	$ 29,650,000

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, 2018, the principal balance outstanding was $3,091,022.

The bonds mature through 2024 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Total
2019	$ -	$ -	$ -
2020	696,542	63,458	760,000
2021	654,079	105,921	760,000
2022	618,246	146,754	765,000
2023	580,562	184,438	765,000
2024	541,593	218,407	760,000
Total	$ 3,091,022	$ 718,978	$ 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, 2018, the principal balance outstanding was $442,342.

The bonds mature through 2028 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Total
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	442,342	717,658	1,160,000
Total	$ 442,342	$ 717,658	$ 1,160,000

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, 2018, the principal balance outstanding was $36,695,982.

The bonds mature through 2034 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest to Maturity	Total
2019	$ 265,000	$ 27,900	$ -	$ 292,900
2020	280,000	17,000	-	297,000
2021	285,000	75,945	-	360,945
2022	250,306	70,245	44,694	365,245
2023	426,090	-	103,910	530,000
2024-2028	10,937,216	-	5,522,784	16,460,000
2029-2033	19,230,434	-	20,359,566	39,590,000
2034	5,021,936	-	8,173,064	13,195,000
Total	$ 36,695,982	$ 191,090	$ 34,204,018	$ 71,091,090

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, 2018, the principal balance outstanding was $370,000.

The bonds mature through 2019 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 370,000	$ 3,608	$ 373,608

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, 2018, the principal balance outstanding was $8,250,000 and unamortized premium on issuance was $456,525.

The bonds mature through 2027 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 770,000	$ 307,038	$ 1,077,038
2020	800,000	275,638	1,075,638
2021	835,000	238,763	1,073,763
2022	880,000	195,888	1,075,888
2023	920,000	150,888	1,070,888
2024-2027	4,045,000	267,744	4,312,744
Total	$ 8,250,000	$ 1,435,959	$ 9,685,959

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, 2018, the principal balance outstanding was $13,280,000 and unamortized premium on issuance was $452,784.

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	990,000	372,444	1,362,444
2023	1,030,000	326,894	1,356,894
2024-2028	5,845,000	943,328	6,788,328
2029-2030	2,605,000	91,163	2,696,163
Total	$ 13,280,000	$ 3,033,786	$ 16,313,786

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, 2018, the principal balance outstanding was $34,441,065 and unamortized premium on issuance was $1,336,496.

The bonds mature through 2046 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest to Maturity	Total
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	980,000	1,083,706	-	2,063,706
2023	1,060,000	1,042,906	-	2,102,906
2024-2028	6,965,078	4,396,506	24,922	11,386,506
2029-2033	4,623,156	2,858,609	556,844	8,038,609
2034-2038	2,404,960	2,703,000	3,270,040	8,378,000
2039-2043	8,302,871	2,293,600	2,222,128	12,818,599
2044-2046	6,425,000	262,100	-	6,687,100
Total	$ 34,441,065	$ 18,087,145	$ 6,073,934	$ 58,602,144

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, 2018, the principal balance outstanding was $39,240,000 and unamortized premium on issuance and deferred charge on refunding were $5,216,682 and $1,568,961, respectively.

The bonds mature through 2027 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	4,055,000	1,524,375	5,579,375
2023	4,565,000	1,308,875	5,873,875
2024-2027	23,895,000	2,502,125	26,397,125
Total	$ 39,240,000	$ 10,896,250	$ 50,136,250

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, 2018, the principal balance outstanding was $32,655,000 and unamortized premium on issuance and deferred charge on refunding were $5,826,070 and $3,693,117, respectively.

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
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	-	1,507,250	1,507,250
2023	-	1,507,250	1,507,250
2024-2028	6,775,000	7,366,875	14,141,875
2029-2031	23,370,000	1,823,250	25,193,250
Total	$ 32,655,000	$ 16,764,025	$ 49,419,025

2017 Series, 2014 Bonds

In June 2017, the District issued $6,755,000 of the 2017 Series, 2014 General Obligation Bonds. The bonds mature on September 1, 2046, with interest yields ranging from 2.0 to 4.0 percent. The proceeds from the sale of the bonds were used to finance the new construction and to improve and repair existing schools. At June 30, 2018, the principal balance outstanding was $6,755,000 unamortized premium on issuance was $308,734.

The bonds mature through 2047 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 405,000	$ 224,756	$ 629,756
2020	1,430,000	199,256	1,629,256
2021	1,560,000	150,506	1,710,506
2022	1,735,000	88,506	1,823,506
2023	-	53,806	53,806
2024-2028	-	269,031	269,031
2029-2033	190,000	263,481	453,481
2034-2038	390,000	210,394	600,394
2039-2043	455,000	139,109	594,109
2044-2047	590,000	48,300	638,300
Total	$ 6,755,000	$ 1,647,145	$ 8,402,145

Certificates of Participation

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, 2018, the principal balance outstanding was $5,105,000 and unamortized premium was $79,034.

The bonds mature through 2028 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 435,000	$ 172,414	$ 607,414
2020	450,000	157,320	607,320
2021	465,000	141,623	606,623
2022	485,000	125,321	610,321
2023	500,000	108,503	608,503
2024-2028	2,770,000	264,356	3,034,356
Total	$ 5,105,000	$ 969,537	$ 6,074,537

On November 10, 2016, the District issued $19,405,000 of the Refunding Certificates of Participation, Series 2016. The bonds mature on May 1, 2041, with an interest yield of 2.0-4.0 percent. The proceeds from the sale of the bonds were used to refund the outstanding 2009 School Facilities Bridge Funding Program certificates of participation and finance costs of replacing, upgrading, and installing technology infrastructure projects. At June 30, 2018, the principal balance outstanding was $18,740,000 and unamortized discount was $324,139.

The bonds mature through 2041 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	$ 85,000	$ 679,463	$ 764,463
2020	105,000	677,763	782,763
2021	110,000	675,663	785,663
2022	100,000	673,463	773,463
2023	105,000	669,463	774,463
2024-2028	940,000	3,260,113	4,200,113
2029-2033	1,430,000	3,093,713	4,523,713
2034-2038	8,905,000	2,383,481	11,288,481
2039-2041	6,960,000	492,000	7,452,000
Total	$ 18,740,000	$ 12,605,122	$ 31,345,122

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, 2017	$ 179,738
Payments	59,913
Balance, June 30, 2018	$ 119,825

The capital leases have minimum lease payments as follows:

Fiscal Year	Lease Payment
2019	$ 59,913
2020	59,912
Present Value of Minimum Lease Payments	$ 119,825

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, 2018, amounted to $381,263.

Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401 A of the Internal Revenue Code. Eligibility requirements are that the employees attain age 50 with at least 10 years of service with the District. The retirees receive annual benefit payments ranging from $1,250 to $3,000 for a term of five years. This benefit is paid out annually to the retiree in equal installments. Currently, there are 140 employees participating in the plan and the District's obligation to those retirees as of June 30, 2018, is $3,014,466.

Future payments are as follows:

Fiscal Year	Annual Payment
2019	$ 1,507,233
2020	1,507,233
Total	$ 3,014,466

Total Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported Total OPEB. liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 15,505,979	$ -	$ -	$ 1,849,188

District Plan

Plan Administration

The District's Governing Board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	80
Active employees	1,339
	1,419

Benefits provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $544,992 to the Plan, of which $544,992 was used for current premiums

Net OPEB Liability of the District

Actuarial assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	3.80 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	3.00 percent for 2017

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

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

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Discount rate

The discount rate used to measure the total OPEB liability was 3.8 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Total OPEB Liability

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.8%)	$ 16,528,192
Current discount rate (3.8%)	15,505,979
1% increase (4.8%)	14,532,835

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

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

Health Care Cost Trend Rates	Total OPEB Liability
1% decrease (2.0%)	$ 14,800,667
Current discount rate (3.0%)	15,505,979
1% increase (4.0%)	16,034,821

OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of $1,849,188.

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 $117,525,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund
Nonspendable:			
Revolving cash	$ 15,000	$ -	$ -
Stores inventories	-	-	-
Total Nonspendable	15,000	-	-
Restricted			
Legally restricted programs	7,140,431	-	-
Capital projects	-	9,116,229	6,166,211
Debt services	-	-	-
Total Restricted	7,140,431	9,116,229	6,166,211
Committed			
Adult education program	-	-	-
Assigned			
Medi-Cal LEA Audit Repayment	1,428,786	-	-
Medi-Cal Administrative Activities	90,316	-	-
Outstanding Mandates One-Time Funds	10,878,731	-	-
Donations	796,154	-	-
Saturday School Reimbursement Program	24,941	-	-
Site Safety Awards	31,201	-	-
Green Team Schools	39,067	-	-
Site Facility Use Agremeent Athletics	34,124	-	-
Local Grants	12,352	-	-
Non Resident Student Fees	432,369	-	-
Transportation Bus Replacement	50,953	-	-
LCAP Site Supplemental Allocations	1,049,837	-	-
Other assignments	-	-	-
Total Assigned	14,868,831	-	-
Unassigned			
Economic uncertainties	6,904,173	-	-
Remaining unassigned	11,348,069	-	-
Total Unassigned	18,252,242	-	-
Total	$ 40,276,504	$ 9,116,229	$ 6,166,211

Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
$ -	$ -	$ 14,170	$ 29,170
-	-	96,544	96,544
-	-	110,714	125,714
-	-	1,887,221	9,027,652
15,855,653	-	1	31,138,094
-	21,432,460	2,905,425	24,337,885
15,855,653	21,432,460	4,792,647	64,503,631
-	-	338,987	338,987
-	-	-	1,428,786
-	-	-	90,316
-	-	-	10,878,731
-	-	-	796,154
-	-	-	24,941
-	-	-	31,201
-	-	-	39,067
-	-	-	34,124
-	-	-	12,352
-	-	-	432,369
-	-	-	50,953
-	-	-	1,049,837
-	-	32,808	32,808
-	-	32,808	14,901,639
-	-	-	6,904,173
-	-	-	11,348,069
-	-	-	18,252,242
$ 15,855,653	$ 21,432,460	$ 5,275,156	$ 98,122,213

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2016. 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:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 179,531,862	$ 57,991,359	$ 16,309,955	$ 19,058,085
CalPERS	72,630,215	23,211,980	855,131	13,918,061
Total	$ 252,162,077	$ 81,203,339	$ 17,165,086	$ 32,976,146

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, 2016, 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.

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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $15,638,777.

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

At June 30, 2018, 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	$	179,531,862
State's proportionate share of the net pension liability associated with the District		106,209,533
Total	$	285,741,395

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.1941 percent and 0.1983 percent, resulting in a net decrease in the proportionate share of 0.0042 percent.

For the year ended June 30, 2018, the District recognized pension expense of $19,058,085. In addition, the District recognized pension expense and revenue of $10,691,009 for support provided by the State. At June 30, 2018, 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	$ 15,638,777	$ -
Net change in proportionate share of net pension liability	8,428,282	8,397,197
Differences between projected and actual earnings on pension plan investments	-	4,781,433
Differences between expected and actual experience in the measurement of the total pension liability	663,926	3,131,325
Changes of assumptions	33,260,374	-
Total	$ 57,991,359	$ 16,309,955

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
2019	$ (3,974,983)
2020	3,007,890
2021	433,720
2022	(4,248,060)
Total	$ (4,781,433)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 5,474,659
2020	5,474,659
2021	5,474,659
2022	5,474,662
2023	3,731,581
Thereafter	5,193,840
Total	$ 30,824,060

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 263,609,770
Current discount rate (7.10%)	179,531,862
1% increase (8.10%)	111,296,942

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, 2016 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports 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.

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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above and the total District contributions were $6,146,575.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $72,630,215. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.3042 percent and 0.2995 percent, resulting in a net increase in the proportionate share of 0.0047 percent.

For the year ended June 30, 2018, the District recognized pension expense of $13,918,061. At June 30, 2018, 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	$ 6,146,575	$ -
Net change in proportionate share of net pension liability	1,342,070	-
Difference between projected and actual earnings on pension plan investments	2,512,508	-
Differences between expected and actual experience in the measurement of the total pension liability	2,602,042	-
Changes of assumptions	10,608,785	855,131
Total	$ 23,211,980	$ 855,131

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
2019	$ (68,080)
2020	2,898,890
2021	1,057,548
2022	(1,375,850)
Total	$ 2,512,508

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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 5,156,203
2020	4,693,373
2021	3,848,190
Total	$ 13,697,766

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.9%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 106,862,320
Current discount rate (7.15%)	72,630,215
1% increase (8.15%)	44,231,817

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 $8,637,097 (9.328 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 included in the calculation of available reserves, but have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment		Expected Date of Completion
ADA Upgrades (Murrieta Valley High)	$	450,000	November 2018
HVAC Replacement (Buchanan Elementary, Shivela Middle)		726,000	October 2018
Roof Replacement (Avaxat Elementary, Rail Ranch Elementary, Warm Springs Middle, Vista Murrieta High)		575,000	November 2018
Restrooms & ADA Upgrades (Alta Murrieta Elementary)		340,000	October 2018
Technology Infrastructure Upgrades (Murrieta Valley High)		443,000	October 2018
CTE Building (Vista Murrieta High)		3,690,000	December 2018
	$	6,224,000	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

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

During the year ended June 30, 2018, the District made payments of $1,423,386, $4,089,332, and $22,721,535 to RSIA, RSRMA, and REEP, respectively, for its property liability, workers' compensation, and health coverage.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 185,084,135
Change in net OPEB liability from the adoption of GASB Statement No. 75	(8,089,776)
Net Position - Beginning (As Restated)	$ 176,994,359

REQUIRED SUPPLEMENTARY INFORMATION

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	**Final**	**(GAAP Basis)**	**Final to Actual**
REVENUES				
Local Control Funding Formula	$ 183,189,817	$ 184,943,227	$ 184,735,471	$ (207,756)
Federal sources	7,260,711	7,424,298	7,555,281	130,983
Other State sources	15,996,071	21,830,080	23,811,946	1,981,866
Other local sources	16,716,742	17,278,065	17,517,143	239,078
Total Revenues	223,163,341	231,475,670	233,619,841	2,144,171
EXPENDITURES				
Current				
Certificated salaries	107,399,821	107,043,061	112,902,356	(5,859,295)
Classified salaries	37,879,979	36,765,525	38,579,339	(1,813,814)
Employee benefits	53,873,693	52,641,635	52,765,515	(123,880)
Books and supplies	7,519,274	7,285,856	6,905,886	379,970
Services and operating expenditures	18,126,979	18,353,753	18,252,301	101,452
Capital outlay	659,427	835,343	927,765	(92,422)
Other outgo	(74,440)	(137,313)	(556,160)	418,847
Debt service				
Principal	-	-	220,000	(220,000)
Interest	-	-	142,090	(142,090)
Total Expenditures	225,384,733	222,787,860	230,139,092	(7,351,232)
Excess (Deficiency) of Revenues Over Expenditures	(2,221,392)	8,687,810	3,480,749	(5,207,061)
NET CHANGE IN FUND BALANCES	(2,221,392)	8,687,810	3,480,749	(5,207,061)
Fund Balance - Beginning	36,795,757	36,795,757	36,795,757	-
Fund Balance - Ending	$ 34,574,365	$ 45,483,567	$ 40,276,506	$ (5,207,061)

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 1,295,930
Interest	553,258
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(544,992)
Net change in total OPEB liability	1,304,196
Total OPEB liability - beginning	14,201,783
Total OPEB liability - ending (a)	$ 15,505,979
Plan Fiduciary Net Position	
Contributions - employer	$ 544,992
Net investment income	-
Benefit payments	(544,992)
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	$ -
District's net OPEB liability - ending (a) - (b)	$ 15,505,979
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	$ 119,375,726
District's total OPEB liability as a percentage of covered-employee payroll	12.99%

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

See accompanying note to required supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1941%	0.1983%
District's proportionate share of the net pension liability	$ 179,531,862	$ 160,424,204
State's proportionate share of the net pension liability associated with the District	106,209,533	91,326,638
Total	$ 285,741,395	$ 251,750,842
District's covered - employee payroll	$ 108,376,833	$ 106,363,744
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	165.66%	150.83%
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.3042%	0.2995%
District's proportionate share of the net pension liability	$ 72,630,215	$ 59,154,321
District's covered - employee payroll	$ 39,576,170	$ 37,881,264
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	183.52%	156.16%
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.2090%	0.1888%
$ 140,719,047	$ 110,308,530
74,424,863	66,609,053
$ 215,143,910	$ 176,917,583
$ 99,627,036	$ 96,586,757
141.25%	114.21%
74%	77%
0.2956%	0.2894%
$ 43,578,380	$ 32,854,704
$ 35,991,779	$ 33,272,135
121.08%	98.75%
79%	83%

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 15,638,777	$ 13,380,559
Contributions in relation to the contractually required contribution	15,638,777	13,380,559
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 108,376,833	$ 106,363,744
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 6,146,575	$ 5,260,950
Contributions in relation to the contractually required contribution	6,146,575	5,260,950
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 39,576,170	$ 37,881,264
Contributions as a percentage of covered - employee payroll	15.53%	13.89%

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

See accompanying note to required supplementary information.

2016		2015	
$	10,689,981	$	8,576,904
	10,689,981		8,576,904
$	-	$	-
$	99,627,036	$	96,586,757
	10.73%		8.88%
$	4,263,946	$	3,916,463
	4,263,946		3,916,463
$	-	$	-
	35,991,779	$	33,272,135
	11.85%		11.77%

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

At June 30, 2018, the District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
General Fund	$ 222,787,860	$ 230,139,092	$ 7,351,232

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

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

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

Change in Assumptions **–** The plan rate of investment return assumption was changed from 4.5 percent to 3.8 percent since the previous valuation.

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

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

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

***Changes in Assumptions* –** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	$ 58,015
Adult Basic Education - Adult Secondary	84.002	13978	39,031
Total Adult Education - Basic Grants to States Cluster			97,046
Carl D. Perkins Vocational and Technical Education Secondary Education	84.048	14894	104,208
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	2,161,284
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	6,583
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	280,236
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	156,109
Passed through Riverside County Special Education Local Plan Area:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,106,204
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	1,293
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	91,071
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	340,271
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	154,873
Preschool Staff Development, Part B, Section 619	84.173A	13431	943
Total Special Education (IDEA) Cluster			4,694,655
Total U.S. Department of Education			7,500,121

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.553	13390	$ 12,383
Especially Needy Breakfast	10.553	13526	931,020
National School Lunch Program	10.555	13523	2,975,446
Meal Supplement	10.555	13396	18,161
Food Distribution	10.555	13524	477,820
Total Child Nutrition Cluster			4,414,830
Forest Reserve	10.665	10044	16,795
Total U.S. Department of Agriculture			4,431,625
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	492,675
Medi-Cal Assistance Program			
Medi-Cal Billing Option	93.778	10013	324,068
Medical Administrative Activities Program	93.778	10060	135,411
Total Medi-Cal Assistance Program			459,479
Total U.S. Department of Health and Human Services			952,154
Total Federal Programs			$ 12,883,900

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

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

MEMBER	OFFICE	TERM EXPIRES
Paul F. Diffley III	President	November 2020
Kenneth C. Dickson	Clerk	November 2020
Robin Crist	Member	November 2018
Linda Lunn	Member	November 2018
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, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,661.45	5,671.32
Fourth through sixth	4,788.23	4,795.39
Seventh and eighth	3,542.40	3,538.53
Ninth through twelfth	8,025.39	7,968.23
Total Regular ADA	22,017.47	21,973.47
Extended Year Special Education		
Transitional kindergarten through third	3.63	3.63
Fourth through sixth	2.52	2.52
Seventh and eighth	0.79	0.79
Ninth through twelfth	2.16	2.16
Total Extended Year Special Education	9.10	9.10
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.73	0.42
Fourth through sixth	1.86	2.11
Seventh and eighth	1.68	1.49
Ninth through twelfth	4.75	7.84
Total Special Education, Nonpublic, Nonsectarian Schools	9.02	11.86
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.10	0.10
Fourth through sixth	0.08	0.08
Ninth through twelfth	0.57	0.92
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.75	1.10
Total ADA	22,036.34	21,995.53

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2018-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,420	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,775	180	N/A	Complied
Grade 2		52,775	180	N/A	Complied
Grade 3		52,775	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,575	180	N/A	Complied
Grade 5		54,575	180	N/A	Complied
Grade 6		54,240	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,240	180	N/A	Complied
Grade 8		54,240	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,290	180	N/A	Complied
Grade 10		65,290	180	N/A	Complied
Grade 11		65,290	180	N/A	Complied
Grade 12		65,290	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, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND				
Revenues	$ 246,681,024	$ 233,619,841	$ 224,881,509	$ 219,138,583
Expenditures	238,775,614	230,139,092	220,629,628	199,816,552
Other uses and transfers out	-	-	-	35,577
Total Expenditures and Other Uses	238,775,614	230,139,092	220,629,628	199,852,129
INCREASE (DECREASE) IN FUND BALANCE	$ 7,905,410	$ 3,480,749	$ 4,251,881	$ 19,286,454
ENDING FUND BALANCE	$ 48,181,916	$ 40,276,506	$ 36,795,757	$ 32,543,876
AVAILABLE RESERVES [2]	$ 27,165,618	$ 18,252,242	$ 18,474,863	$ 15,643,100
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	11.38%	7.93%	8.37%	8.01%
LONG-TERM OBLIGATIONS	N/A	$ 257,022,254	$ 259,105,944	$ 221,207,827
K-12 AVERAGE DAILY ATTENDANCE AT P-2	22,036	22,036	21,882	21,599

The General Fund balance has increased by $27,019,084 over the past two years. The fiscal year 2018-2019 budget projects an increase of $7,905,410 (19.63 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $35,814,427 over the past two years.

Average daily attendance has increased by 437 over the past two years. No additional growth is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

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

See accompanying note to supplementary information.

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	$ 237,125	$ 439,846	$ 1,569,079
Receivables	175,337	265,302	823,739
Due from other funds	501	-	3,079
Stores inventories	-	-	96,544
Total Assets	$ 412,963	$ 705,148	$ 2,492,441
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 38,193	$ 114,143	$ 231,022
Due to other funds	13,351	207,006	368,424
Unearned revenue	-	79,765	221,726
Total Liabilities	51,544	400,914	821,172
Fund Balances:			
Nonspendable	-	-	110,714
Restricted	22,432	304,234	1,560,555
Committed	338,987	-	-
Assigned	-	-	-
Total Fund Balances	361,419	304,234	1,671,269
Total Liabilities and Fund Balances	$ 412,963	$ 705,148	$ 2,492,441

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
$ 1	$ 138,176	$ 2,905,425	$ 5,289,652
-	675	-	1,265,053
-	-	-	3,580
-	-	-	96,544
$ 1	$ 138,851	$ 2,905,425	$ 6,654,829
$ -	$ 106,043	$ -	$ 489,401
-	-	-	588,781
-	-	-	301,491
-	106,043	-	1,379,673
-	-	-	110,714
1	-	2,905,425	4,792,647
-	-	-	338,987
-	32,808	-	32,808
1	32,808	2,905,425	5,275,156
$ 1	$ 138,851	$ 2,905,425	$ 6,654,829

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, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	$ 97,046	$ 492,675	$ 4,414,830
Other State sources	282,803	1,669,150	301,181
Other local sources	267,994	1,918,354	3,273,302
Total Revenues	647,843	4,080,179	7,989,313
EXPENDITURES			
Current			
Instruction	199,541	1,656,790	-
Instruction-related activities:			
Supervision of instruction	-	384,069	-
School site administration	153,929	-	-
Pupil services:			
Food services	-	-	7,469,059
All other pupil services	52,282	-	-
Administration:			
All other administration	15,921	206,274	367,040
Plant services	-	1,609	-
Community services	-	1,780,240	-
Enterprise services	283,901	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	59,913	-
Interest and other	-	-	-
Total Expenditures	705,574	4,088,895	7,836,099
Excess (Deficiency) of Revenues Over Expenditures	(57,731)	(8,716)	153,214
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	(57,731)	(8,716)	153,214
Fund Balance - Beginning	419,150	312,950	1,518,055
Fund Balance - Ending	$ 361,419	$ 304,234	$ 1,671,269

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Educational Facilities Corporation Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	5,004,551
824	-	-	2,253,958
1	229,578	1,193,882	6,883,111
825	229,578	1,193,882	14,141,620
-	-	-	1,856,331
-	-	-	384,069
-	-	-	153,929
-	-	-	7,469,059
-	-	-	52,282
-	-	-	589,235
-	791,132	-	792,741
-	-	-	1,780,240
-	-	-	283,901
-	439,665	-	439,665
-	-	95,000	154,913
-	-	1,092,488	1,092,488
-	1,230,797	1,187,488	15,048,853
825	(1,001,219)	6,394	(907,233)
-	507,240	-	507,240
(824)	-	(507,240)	(508,064)
(824)	507,240	(507,240)	(824)
1	(493,979)	(500,846)	(908,057)
-	526,787	3,406,271	6,183,213
$ 1	$ 32,808	$ 2,905,425	$ 5,275,156

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 12,559,832
Medi-Cal Billing Option	93.778	324,068
Total Schedule of Expenditures of Federal Awards		$ 12,883,900

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2018, and the related notes to the financial statements, which collectively comprise Murrieta Valley Unified School District's basic financial statements, and have issued our report thereon dated September 27, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 Murrieta Valley to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* Our opinion is not modified with respect to this matter.

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

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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
September 27, 2018

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

Governing Board
Murrieta Valley Unified School District
Murrieta, California

Report on Compliance for Each Major Federal Program

We have audited Murrieta Valley Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Murrieta Valley Unified School District's major Federal programs for the year ended June 30, 2018. 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.

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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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 27, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 *2017-2018 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, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Murrieta Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Murrieta Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Murrieta Valley Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Murrieta Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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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
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 27, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

MURRIETA VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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