Financial Statements
June 30, 2020

Menifee Union School District

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Independent Auditor's Report

Governing Board
Menifee Union School District
Menifee, 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 Menifee Union School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on pages 67, schedule of changes in the District's total OPEB liability and related ratios on page 68, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 69, schedule of the District's proportionate share of the net pension liability on page 70, and the schedule of District contributions on page 71, 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 Menifee Union School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated November 3, 2020 on our consideration of Menifee Union School District 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Menifee Union 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 Menifee Union School District 's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
November 3, 2020

This section of Menifee Union School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include a variety of funds to include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

- 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 management 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 Menifee Union School District.

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. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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 important components in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we report 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 eight students, the operation of child development activities, food service, 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, certificates of participation, and lease revenue 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 and the California 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 and Community Facilities Districts. The District's fiduciary activities are reported in the Statement 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 $172,048,889 for the fiscal year ended June 30, 2020. Of this amount, ($79,554,990) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing school board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	$ 112,065,807	$ 139,253,988
Capital assets	306,230,465	277,882,226
Total assets	418,296,272	417,136,214
Deferred outflows of resources	33,678,982	33,420,028
Liabilities		
Current liabilities	12,738,963	5,226,572
Long-term liabilities	259,825,120	260,115,419
Total liabilities	272,564,083	265,341,991
Deferred inflows of resources	7,362,282	6,215,750
Net Position		
Net investment incapital assets	223,462,412	221,201,766
Restricted	28,141,467	26,540,475
Unrestricted	(79,554,990)	(68,733,740)
Total net position	$ 172,048,889	$ 179,008,501

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 12.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 3,702,159	$ 4,968,973
Operating grants and contributions	19,666,322	18,314,005
General revenues		
Federal and State aid not restricted	80,035,265	76,661,549
Property taxes	23,565,732	21,174,886
Other general revenues	18,118,538	36,701,997
Total revenues	145,088,016	157,821,410
Expenses		
Instruction-related	95,243,495	91,899,697
Pupil services	12,807,623	11,134,073
Administration	13,471,577	7,416,093
Plant services	10,879,841	12,888,398
Other	19,645,092	10,129,746
Total expenses	152,047,628	133,468,007
Change in net position	$ (6,959,612)	$ 24,353,403

Governmental Activities

As reported in the *Statement of Activities* on page 12 the cost of all of our governmental activities this year was $152,047,628. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $23,565,732 because the cost was paid by those who benefited from the programs ($3,702,159) or by other governments and organizations who subsidized certain programs with grants and contributions ($19,666,322). We paid for the remaining "public benefit" portion of our governmental activities with $98,153,803 in Federal and State funds, and with other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 95,243,495	$ 91,899,697	$ (81,277,679)	$ 68,721,339
Pupil services	12,807,623	11,134,073	(7,592,119)	16,177,269
Administration	13,471,577	7,416,093	(11,836,292)	6,802,138
Plant services	10,879,841	12,888,398	(10,792,215)	12,885,159
All other services	19,645,092	10,129,746	(17,180,842)	5,500,124
Total	$ 152,047,628	$ 133,468,007	$ (128,679,147)	$ 110,086,029

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $101,187,464 as detailed below:

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	$ 12,994,774	$ 113,367,360	$ 110,559,236	$ 15,802,898
Child Development	140,813	715,048	733,843	122,018
Cafeteria	1,363,263	3,180,009	3,497,005	1,046,267
Deferred Maintenance	197,092	352,801	422,552	127,341
Building	36,052,305	563,283	12,832,700	23,782,888
Capital Facilities	14,060,961	5,746,195	4,811,759	14,995,397
Capital Project Component Unit	61,101,261	9,756,646	36,869,817	33,988,090
Bond Interest and Redemption	9,124,736	7,439,598	8,287,841	8,276,493
Debt Service Fund for Blended Component Units	8	3,884,177	838,113	3,046,072
Total	$ 135,035,213	$ 145,005,117	$ 178,852,866	$ 101,187,464

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in September 2020. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 67.)

COMMENTS ON MAJOR FUNDS

Each of the District's major funds is discussed below.

- The General Fund is the chief operating fund of the District used to account for ordinary operations. All transactions except for those required or permitted by law to be in another fund are accounted for in this fund.
- The Building Fund is used primarily to account separately for proceeds from the sale of bonds and may not be used for any purposes other than those for which the bonds were issued.
- The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers to meet pupil housing needs. These funds are committed or assigned for acquisition or construction of facilities.
- The Capital Project 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).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $306,230,465 million in a broad range of capital assets (net of depreciation), including land, buildings, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $28,348,239, or 10.20 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 81,518,632	$ 46,894,257
Buildings and improvements	222,628,170	229,258,187
Equipment	2,083,663	1,729,782
Total	$ 306,230,465	$ 277,882,226

This year's addition of $36,115,328 included construction in progress related to modernization of multiple school sites and construction of a new school site. We present a more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had $259,825,120 in long-term liabilities outstanding versus $260,115,419 last year, a decrease of 0.11 percent. Those long-term liabilities consisted of the following:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	$ 100,448,772	$ 104,371,724
Qualified Zone Academy Bonds	18,412,765	19,650,412
Certificates of participation	2,320,612	2,737,926
Lease revenue bonds	19,475,000	19,530,000
Unamortized premiums	6,505,908	6,850,091
Unamortized discounts	(64,974)	(75,803)
Early retirement liabilities	1,353,065	-
Compensated absences	378,112	333,856
Developer fees agreement	1,942,499	2,001,041
Net OPEB liability	2,398,913	3,165,465
Aggregate net pension liability	106,654,448	101,550,707
Total	$ 259,825,120	$ 260,115,419

At year-end, the District has a net pension liability of $106,654,448 versus $101,550,707 last year, an increase of $5,103,741, or 5.03 percent.

Other liabilities include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term liabilities. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2019-2020

- The District improved employee relations by successfully settling with both bargaining units for 2019-20.
- Recognized an enrollment growth of 372 students.
- Due to COVID-19, staff effectively transitioned from a face-to-face work environment to a telecommuting environment.
- The District continues to have a robust Facilities program with the following projects under construction: Renovation of Menifee Valley Middle School, Harvest Hill STEAM Academy Middle School addition, District-wide security cameras; Bell Mountain Middle School & Ridgemoor Elementary School roof replacement; installation of shade structures at eight (8) school sites; purchase property for Middle School #4; in escrow for Elementary School #15 property.
- Applied for new school code to allow for Distance Learning+ to continue throughout district indefinitely.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The following are some of the key budget assumptions the District is making.

The District is still recognizing developer home permits within District boundaries. The District anticipates enrollment will grow at an increase rate consistent with housing construction in the area.

- In November 2016, voters approved a General Obligation Bond in the amount of $135,000,000 to build two new elementary schools; one middle school and complete renovations at other school sites. The District will be issuing Series C of the Bonds to begin construction of the next middle and elementary schools.
- The District will be modifying school sites to accommodate the continuation of its Distance Learning+ program.
- The District's Facilities program will begin the following projects: reconstruction of the Chester W. Morrison Kindergarten area; construction of Middle School #4; and District-wide access control.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, pupils, 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 further financial information, contact Walter Con, Assistant Superintendent, Business Services, Menifee Union School District, 29775 Haun Road, Menifee, California 92586, or email at business@menifeeusd.org.

	Governmental Activities
Assets	
Deposits and investments	$ 91,863,339
Receivables	20,101,036
Stores inventories	101,432
Capital assets not depreciated	81,518,632
Capital assets, net of accumulated depreciation	224,711,833
Total assets	418,296,272
Deferred Outflows of Resources	
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	1,174,743
Deferred outflows of resources related to pensions	32,504,239
Total deferred outflows of resources	33,678,982
Liabilities	
Accounts payable	10,678,256
Interest payable	1,860,620
Unearned revenue	200,087
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	5,347,881
Long-term liabilities other than OPEB and pensions due in more than one year	145,423,878
Net other postemployment benefits liabilities	2,398,913
Aggregage net pension liabilities	106,654,448
Total liabilities	272,564,083
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	105,993
Deferred inflows of resources related to pensions	7,256,289
Total deferred inflows of resources	7,362,282
Net Position	
Net investment in capital assets	223,462,412
Restricted for	
Debt service	9,461,945
Capital projects	14,995,397
Educational programs	2,617,272
Other restrictions	1,066,853
Unrestricted	(79,554,990)
Total net position	$ 172,048,889

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 82,909,757	$ 6,360	$ 12,139,012	$ (70,764,385)
Instruction-related activities				
Supervision of instruction	3,837,159	-	1,455,106	(2,382,053)
Instructional library, media, and technology	1,062,572	-	13,696	(1,048,876)
School site administration	7,434,007	348	351,294	(7,082,365)
Pupil services				
Home-to-school transportation	1,713,229	-	76,717	(1,636,512)
Food services	3,739,201	785,983	2,259,000	(694,218)
All other pupil services	7,355,193	-	2,093,804	(5,261,389)
Administration				
Data processing	1,082,038	-	18,390	(1,063,648)
All other administration	12,389,539	891,495	725,400	(10,772,644)
Plant services	10,879,841	-	87,626	(10,792,215)
Community services	66,203	-	-	(66,203)
Interest on long-term liabilities	5,825,500	-	-	(5,825,500)
Other outgo	13,753,389	2,017,973	446,277	(11,289,139)
Total governmental activities	$ 152,047,628	$ 3,702,159	$ 19,666,322	(128,679,147)
General Revenues and Subventions				
Property taxes, levied for general purposes				15,679,797
Property taxes, levied for debt service				7,326,920
Taxes levied for other specific purposes				559,015
Federal and State aid not restricted to specific purposes				80,035,265
Interest and investment earnings				153,595
Interagency revenues				137,947
Miscellaneous				17,826,996
Total general revenues				121,719,535
Change in Net Position				(6,959,612)
Net Position - Beginning				179,008,501
Net Position - Ending				$ 172,048,889

Menifee Union School District
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	$ 6,680,825	$ 25,409,193	$ 13,182,170	$ 33,988,090	$ 12,603,061	$ 91,863,339
Receivables	17,264,671	64,315	2,616,669	-	155,381	20,101,036
Due from other funds	26,034	-	-	-	1,427	27,461
Stores inventories	-	-	-	-	101,432	101,432
Total assets	$ 23,971,530	$ 25,473,508	$ 15,798,839	$ 33,988,090	$ 12,861,301	$ 112,093,268
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 7,979,654	$ 1,690,620	$ 803,442	$ -	$ 204,540	$ 10,678,256
Due to other funds	1,427	-	-	-	26,034	27,461
Unearned revenue	187,551	-	-	-	12,536	200,087
Total liabilities	8,168,632	1,690,620	803,442	-	243,110	10,905,804
Fund Balances						
Nonspendable	5,000	-	-	-	101,432	106,432
Restricted	2,617,272	23,782,888	14,995,397	33,988,090	12,389,418	87,773,065
Committed	-	-	-	-	127,341	127,341
Assigned	6,312,578	-	-	-	-	6,312,578
Unassigned	6,868,048	-	-	-	-	6,868,048
Total fund balances	15,802,898	23,782,888	14,995,397	33,988,090	12,618,191	101,187,464
Total liabilities and fund balances	$ 23,971,530	$ 25,473,508	$ 15,798,839	$ 33,988,090	$ 12,861,301	$ 112,093,268

Total Fund Balance - Governmental Funds		$ 101,187,464
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	$ 393,660,145	
Accumulated depreciation is	(87,429,680)	
Net capital assets		306,230,465
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(1,860,620)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	-	
Other postemployment benefits	1,174,743	
Net pension liability	32,504,239	
Total deferred outflows of resources		33,678,982
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits	(105,993)	
Net pension liability	(7,256,289)	
Total deferred inflows of resources		(7,362,282)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(106,654,448)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(2,398,913)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	$ (93,889,720)	
Premium on issuance of general obligation bonds	(6,167,423)	
Discount on issuance of general obligation bonds	64,974	
Certificates of participation	(2,320,612)	
Lease revenue bonds	(19,475,000)	
Premium on issuance of lease revenue bonds	(338,485)	
Developer fees agreement	(1,942,499)	
Compensated absences (vacations)	(378,112)	
Qualified zone academy bonds	(18,412,765)	
Special termination benefits payable	(1,353,065)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(6,559,052)	
Total long-term liabilities		(150,771,759)
Total net position - governmental activities		$ 172,048,889

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

	General Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local Control Funding Formula	$ 92,653,519	$ -	$ -	$ -	$ -	$ 92,653,519
Federal sources	3,539,966	-	-	-	2,180,104	5,720,070
Other State sources	11,139,936	-	-	-	919,852	12,059,788
Other local sources	6,008,739	563,283	5,746,195	580,802	12,108,512	25,007,531
Total revenues	113,342,160	563,283	5,746,195	580,802	15,208,468	135,440,908
Expenditures						
Current						
Instruction	71,780,257	-	-	-	436,357	72,216,614
Instruction-related activities						
Supervision of instruction	3,413,013	-	-	-	234,618	3,647,631
Instructional library, media, and technology	1,026,778	-	-	-	-	1,026,778
School site administration	6,859,197	-	-	-	-	6,859,197
Pupil services						
Home-to-school transportation	1,672,110	-	-	-	-	1,672,110
Food services	1,547	-	-	-	3,325,615	3,327,162
All other pupil services	6,995,335	-	-	-	23,997	7,019,332
Administration						
Data processing	1,050,332	-	-	-	-	1,050,332
All other administration	5,917,468	-	4,246,584	-	210,261	10,374,313
Plant services	9,721,832	-	-	-	422,552	10,144,384
Community services	66,404	-	-	-	-	66,404
Other outgo	337,504	-	-	13,374,272	41,613	13,753,389
Facility acquisition and construction	-	12,832,700	39,666	23,495,545	-	36,367,911
Debt service						
Principal	1,237,647	-	417,314	-	4,810,000	6,464,961
Interest and other	116,647	-	82,995	-	4,274,341	4,473,983
Total expenditures	110,196,071	12,832,700	4,786,559	36,869,817	13,779,354	178,464,501
Excess (Deficiency) of Revenues Over Expenditures	3,146,089	(12,269,417)	959,636	(36,289,015)	1,429,114	(43,023,593)
Other Financing Sources (Uses)						
Transfers in	25,200	-	-	-	363,165	388,365
Other sources	-	-	-	9,175,844	-	9,175,844
Transfers out	(363,165)	-	(25,200)	-	-	(388,365)
Net Financing Sources (Uses)	(337,965)	-	(25,200)	9,175,844	363,165	9,175,844
Net Change in Fund Balances	2,808,124	(12,269,417)	934,436	(27,113,171)	1,792,279	(33,847,749)
Fund Balance - Beginning	12,994,774	36,052,305	14,060,961	61,101,261	10,825,912	135,035,213
Fund Balance - Ending	$ 15,802,898	$ 23,782,888	$ 14,995,397	$ 33,988,090	$ 12,618,191	$ 101,187,464

Total Net Change in Fund Balances - Governmental Funds		$ (33,847,749)
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 outlays exceeds depreciation in the period.		
Capital outlays	$ 36,115,328	
Depreciation expense	(7,767,089)	
Net expense adjustment		28,348,239
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(832,048)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement benefits earned and used.		(1,397,321)
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.		(5,867,574)
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.		632,807
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization		344,183
Discount amortization		(10,829)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	$ 4,755,000
Qualified Zone Academy bonds	1,237,647
Certificates of participation	417,314
Lease revenue bonds	55,000
Developer fees agreement	58,542
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	(852,823)
Change in net position of governmental activities	$ (6,959,612)

	Agency Funds			
	Debt Service Special Tax Bonds	Funds Held On Behalf of Other Agencies	Associated Student Bodies	Total Agency Funds
Assets				
Deposits and investments	$ 87,027,603	$ 5,677,160	$ 148,548	$ 92,853,311
Liabilities				
Accounts payable	$ -	$ -	$ 525	$ 525
Due to student groups	-	-	148,023	148,023
Due to bond holders	87,027,603	-	-	87,027,603
Due to other agencies	-	5,677,160	-	5,677,160
Total liabilities	$ 87,027,603	$ 5,677,160	$ 148,548	$ 92,853,311

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Menifee Union School District (the District) was organized December 7, 1951, 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 Transitional K - 8 as mandated by the State and/or Federal agencies. The District operates eleven elementary schools, one STEAM Academy, three middle schools, and two preschools.

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 Menifee Union 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 described below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements for Certain Component Units and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements 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 Menifee Union School District Public Financing Authority (the Authority) is a joint exercise of powers authority organized and existing under laws of the State of California, and Joint Exercise of Powers Agreement. The Authority was formed to issue bonds under the Marks-Roos Local Bond Pooling Act of 1985. The Authority was formed for the purpose of financing school facilities.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the District established Community Facilities Districts (CFDs). Each CFD is a legally constituted governmental entity formed for the purpose of financing special capital projects. The CFDs were authorized, at special elections, to finance school facilities and in certain cases to fund improvements for the benefit of other governmental agencies including a Parks and Recreation District and a Water District.

For financial presentation purposes, the Authority and the CFDs financial activity has been blended with the financial data of the District. The financial statements present the construction and acquisition bond proceeds within the Capital Project Fund for Blended Component Units. The debt service reserve fund proceeds for CFD are presented in an agency fund, and debt service activities related to the Authority are presented within the Debt Service Fund for Blended Component Units.

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.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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.

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

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

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (Education Code Section 17582).

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

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

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

- **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).

- **Debt Service Fund for Blended Component Units** The Debt Service Fund is used to account for the accumulation of resources for the lease payment related to the lease purchase agreement between the District and the Public Property Financing Corporation of California and lease revenue bonds.

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 student body activities (ASB), debt service special tax bonds, and funds held on behalf of other agencies.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, of the District, and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use 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 net position use.

Fund Financial Statements Fund Financial Statements report detailed information about the District. The focus of governmental 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

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

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

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

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

Investments

Investments held at June 30, 2020, 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.

Store Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000 dollars. 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 expensed 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 bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position, except for the net residual amounts due between governmental activities, which are presented as internal balances.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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 pension related items, and OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the 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 District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or 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 intends for the District to maintain a minimum fund balance equal to three percent of the District's general fund annual operating expenditures and other financing uses plus two months of general fund annual operating expenditures and other financing uses. If a fund balance drops below five percent, it shall be recovered at a rate of two percent minimally, each year, when financial circumstances permit.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first 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 $28,141,467 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 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. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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

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

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

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

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

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

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

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

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

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

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

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

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

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

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

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 91,863,339
Fiduciary funds	92,853,311
Total deposits and investments	$ 184,716,650

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

Cash on hand and in banks	$ 148,548
Cash in revolving	5,000
Investments	184,563,102
Total deposits and investments	$ 184,716,650

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

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

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

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 Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

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 investing in the Riverside County Treasury Investment Pool.

Weighted Average Maturity

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

Investment Type	Reported Amount	Weighted Average Maturity in Days
Morgan Stanley Institutional Liquidity Fund	$ 129,738,925	33
Riverside County Investment Pool	54,824,177	409
Total	$ 184,563,102	

Credit Risk

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

Investment Type	Reported Amount	Minimum Legal Rating	Rating as of Year End	
			Aaa-mf	Aaa-bf
Morgan Stanley Institutional Liquidity Fund	$ 129,738,925	N/A	$ 129,738,925	$ -
Riverside County Investment Pool	54,824,177	N/A	-	54,824,177
Total	$ 184,563,102		$ 129,738,925	$ 54,824,177

N/A - Not applicable

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 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, 2020, the District's bank balance was no exposed to custodial credit risk.

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, 2020:

Investment Type	Reported Amount	Fair Value Measurement Using Level 2 Inputs	Uncategorized
Morgan Stanley Institutional Liquidity Fund	$ 129,738,925	$ 129,738,925	$ -
Riverside County Investment Pool	54,824,177	-	54,824,177
Total	$ 184,563,102	$ 129,738,925	$ 54,824,177

Note 4 - Receivables

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 2,177,992	$ -	$ -	$ 140,138	$ 2,318,130
State Government					
LCFF apportionment	13,088,977	-	-	-	13,088,977
Categorical aid	764,838	-	-	11,930	776,768
Lottery	517,517	-	-	-	517,517
Local Government					
Interest	30,562	64,315	32,652	3,313	130,842
Other local sources	684,785	-	2,584,017	-	3,268,802
Total	$ 17,264,671	$ 64,315	$ 2,616,669	$ 155,381	$ 20,101,036

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 43,728,128	$ 6,299,538	$ -	$ 50,027,666
Construction in progress	3,166,129	28,324,837	-	31,490,966
Total capital assets not being depreciated	46,894,257	34,624,375	-	81,518,632
Capital assets being depreciated				
Land improvements	11,928,194	14,497	-	11,942,691
Buildings and improvements	290,668,009	969,756	-	291,637,765
Furniture and equipment	8,054,357	506,700	-	8,561,057
Total capital assets being depreciated	310,650,560	1,490,953	-	312,141,513
Total capital assets	357,544,817	36,115,328	-	393,660,145
Accumulated depreciation				
Land improvements	(5,255,415)	(596,587)	-	(5,852,002)
Buildings and improvements	(68,082,601)	(7,017,683)	-	(75,100,284)
Furniture and equipment	(6,324,575)	(152,819)	-	(6,477,394)
Total accumulated depreciation	(79,662,591)	(7,767,089)	-	(87,429,680)
Governmental activities capital assets, net	$ 277,882,226	$ 28,348,239	$ -	$ 306,230,465

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 6,415,605
School site administration	209,712
Food services	365,053
All other administration	458,258
Plant services	318,461
Total depreciation expenses governmental activities	$ 7,767,089

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

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

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 26,034	$ 26,034
Non-Major Governmental Funds	1,427	-	1,427
Total	$ 1,427	$ 26,034	$ 27,461

A balance of $21,860 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect charges.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future maintenance projects.	$ 350,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover unpaid student meals.	13,165
The Capital Facilities Fund transferred to the General Fund for developer fees administrative costs.	25,200
Total	$ 388,365

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

Note 7 - Accounts Payable

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Vendor payables	$ 1,576,572	$ -	$ 41,141	$ 183,885	$ 1,801,598	$ 525
State LCFF apportionment	5,015,651	-	-	-	5,015,651	-
Salaries and benefits	1,387,431	-	-	20,655	1,408,086	-
Construction	-	1,690,620	762,301	-	2,452,921	-
Total	$ 7,979,654	$ 1,690,620	$ 803,442	$ 204,540	$ 10,678,256	$ 525

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 186,303	$ -	$ 186,303
State categorical aid	1,248	12,536	13,784
Total	$ 187,551	$ 12,536	$ 200,087

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

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 104,371,724	$ 832,048	$ (4,755,000)	$ 100,448,772	$ 3,225,000
Qualified Zone Academy Bonds	19,650,412	-	(1,237,647)	18,412,765	1,158,647
Certificates of participation	2,737,926	-	(417,314)	2,320,612	428,841
Lease revenue bonds	19,530,000	-	(55,000)	19,475,000	70,000
Unamortized debt premiums	6,850,091	-	(344,183)	6,505,908	-
Unamortized debt discounts	(75,803)	-	10,829	(64,974)	-
Early retirement liabilities	-	1,818,458	(465,393)	1,353,065	465,393
Compensated absences	333,856	44,256	-	378,112	-
Developer fees agreement	2,001,041	-	(58,542)	1,942,499	-
Total	$ 155,399,247	$ 2,694,762	$ (7,322,250)	$ 150,771,759	$ 5,347,881

General obligation bonds are paid from the Bond Interest and Redemption fund from tax revenues collected from the property owners within the boundaries of the District. Qualified Zone Academy Bonds payments are paid from the General Fund. Certificates of participation are paid from the Capital Facilities Fund. Developer fees agreement is being paid from the Capital Facilities Fund. Lease revenue bonds are paid from the Debt Service Fund for Blended Component Units. Compensated absences are liquidated in the fund which the employee who earned the vacation is paid from. Early retirement liabilities are paid from the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
6/15/2005	8/1/2029	3.00-4.27%	$ 5,069,720	$ 535,308	$ 33,136	$ -	$ 568,444
3/18/2009	8/1/2039	3.00-10.51%	15,730,000	10,451,416	798,912	(375,000)	10,875,328
2/14/2013	8/1/2027	1.25-3.00%	8,835,000	7,820,000	-	(555,000)	7,265,000
8/14/2014	8/1/2029	2.00-5.00%	4,230,000	3,785,000	-	(150,000)	3,635,000
8/3/2016	8/1/2033	2.00-5.00%	25,010,000	24,155,000	-	(635,000)	23,520,000
6/8/2017	8/1/2042	3.00-5.00%	23,395,000	20,720,000	-	(2,785,000)	17,935,000
12/6/2018	8/1/2043	3.25-5.00%	36,905,000	36,905,000	-	(255,000)	36,650,000
				$ 104,371,724	$ 832,048	$ (4,755,000)	$100,448,772

Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 3,225,000	$ 3,399,425	$ 6,624,425
2022	3,155,000	3,275,488	6,430,488
2023	3,150,000	3,163,500	6,313,500
2024	2,725,000	3,033,200	5,758,200
2025	3,185,000	2,922,275	6,107,275
2026-2030	21,280,000	12,542,906	33,822,906
2031-2035	15,030,000	9,496,478	24,526,478
2036-2040	16,855,000	6,700,178	23,555,178
2041-2044	20,400,000	2,085,350	22,485,350
Total	$ 89,005,000	$ 46,618,800	$ 135,623,800

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2021	$ -	$ -	$ -	$ -	$ -
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-
2026-2030	229,720	338,724	568,444	431,556	1,000,000
2031-2035	1,372,790	2,534,192	3,906,982	9,193,018	13,100,000
2036-2040	3,282,210	3,686,136	6,968,346	15,531,654	22,500,000
Total	$ 4,884,720	$ 6,559,052	$ 11,443,772	$ 25,156,228	$ 36,600,000

Certificates of Participation

In July 2012, the District issued certificates of participation in the amount of $5,139,197 with an interest rate of 3.15 percent. At June 30, 2020, the principal balance outstanding was $2,320,612.

The certificates mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 428,841	$ 69,776	$ 498,617
2022	444,363	56,159	500,522
2023	459,289	42,026	501,315
2024	471,421	27,459	498,880
2025	377,663	12,518	390,181
2026	139,035	2,190	141,225
Total	$ 2,320,612	$ 210,128	$ 2,530,740

Qualified Zone Academy Bonds

In December 2014, the District issued $25,130,000 aggregate principal amount of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. At, June 30, 2020, the outstanding balance was $18,412,765.

The bonds mature through 2032 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2021	$ 1,158,647	$ 110,935	$ 1,269,582
2022	1,241,647	105,208	1,346,855
2023	1,330,647	98,629	1,429,276
2024	1,422,647	91,117	1,513,764
2025	1,522,647	82,676	1,605,323
2026-2030	9,222,235	248,549	9,470,784
2031-2032	2,514,295	9,476	2,523,771
Total	$ 18,412,765	$ 746,590	$ 19,159,355

Lease Revenue Bonds

In September 2018, the District issued lease revenue bonds in the amount of $19,680,000 in lease revenue bonds with interest rates ranging from 3.00 to 3.69 percent. As of June 30, 2020, the principal balance outstanding was $19,475,000.

The bonds mature through 2048 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2021	$ 70,000	$ 739,850	$ 809,850
2022	110,000	737,050	847,050
2023	155,000	733,750	888,750
2024	200,000	726,000	926,000
2025	235,000	716,000	951,000
2026-2030	1,790,000	3,361,750	5,151,750
2031-2035	2,845,000	2,867,600	5,712,600
2036-2040	4,100,000	2,262,569	6,362,569
2041-2045	5,650,000	1,446,375	7,096,375
2046-2048	4,320,000	328,325	4,648,325
Total	$ 19,475,000	$ 13,919,269	$ 33,394,269

Supplemental Early Retirement Plan

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. Currently, there are 38 employees participating in the plan and the District's obligation to those retirees as of June 30, 2019, is $1,353,065. Future payments are as follows:

Year Ending June 30,	Total
2021	$ 465,393
2022	465,393
2023	422,279
Total	$ 1,353,065

Compensated absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $378,112.

Developer Fees Agreement

On November 23, 2004, the District entered into a First Amendment to Amended and Restated Memorandum of Understanding ("Agreement") with Pinehurst LLC, which established a credit bank for permits issued within boundaries of the District. The credits issued were applied by the District to the land acquisition of the Evans Ranch Elementary School Site. Subsequently, on March 26, 2019 the District entered into a revised School Facilities Funding and Mitigation Agreement ("Agreement") with Pinehurst LLC. This Agreement supersedes and replaces the prior Amended and Restated MOU and First Amended MOU in its entirety. In exchange for the School Site, Pinehurst LLC, will receive future Fee Credits in order to obtain Certificates of Compliance for all market-rate residential units and Age-Restricted Units. The District's liability will be reduced by Fee Credits as they are earned. As of June 30, 2020, the outstanding balance on the site purchase to be reduced by future Fee Credits was $1,942,499.

Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	$ 1,813,833	$ 1,174,743	$ 105,993	$ (637,172)
Medicare Premium Payment (MPP) Program	585,080	-	-	4,365
Total	$ 2,398,913	$ 1,174,743	$ 105,993	$ (632,807)

The details of each plan are as follows:

District Plan

Plan administration

The District's Governing Board administers the Postemployment Benefits Plan (the Plan) is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan membership

At June 30, 2020, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	88
Active employees	859
Total	947

Benefits provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Menifee Teachers Association (MTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2020, the District paid $884,142 in benefits.

Total OPEB Liability of the District

Actuarial assumptions

The total OPEB liability as of June 30, 2020, measurement date, was determined by applying updated procedures to the financial reporting actuarial valuation as of January 1, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	3.25	percent, average, including inflation
Discount rate	4.45	percent
Healthcare cost trend rates	7.00	percent for 2020

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 reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 2,584,750
Service cost	73,501
Interest	69,422
Changes of assumptions or other inputs	(29,698)
Benefit payments	(884,142)
Net change in total OPEB liability	(770,917)
Balance, June 30, 2020	$ 1,813,833

Change of assumptions and other inputs reflect a change in discount rate from 3.13 percent in 2019 to 2.45 percent in 2020.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.45%)	$ 1,908,250
Current discount rate (2.45%)	1,813,833
1% increase (3.45%)	1,725,707

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (6.00%)	$ 1,715,811
Current healthcare cost trend rate (7.00%)	1,813,833
1% increase (8.00%)	1,942,713

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

For the year ended June 30, 2020, the District recognized OPEB expense of $(637,172). At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,174,743	$ -
Changes of assumptions	-	105,993
Total	$ 1,174,743	$ 105,993

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 104,047
2022	104,047
2023	104,047
2024	104,047
2025	104,048
Thereafter	548,514
Total	$ 1,068,750

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from portion of monthly District benefit payments. In accordance with California Education Code Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $585,080 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.1571 percent and 0.1517 percent, resulting in a net increase in the proportionate share of 0.0054 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $4,365.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019 using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, 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 our 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019 is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019 was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 638,456
Current discount rate (3.50%)	585,080
1% increase (4.50%)	536,004

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 548,395
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	585,080
1% increase (4.7% Part A and 5.1% Part B)	658,358

Note 10 - Non-Obligatory Debt

The special tax bonds issued by the Community Facilities District's and the Public Finance Authority (hereinafter referred to as the CFDs) are not obligations of the Menifee Union School District. The bonds, the interest thereon, and any premiums on the redemption of any of the bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the taxing power of the District is pledged to the payment of the bonds. The bonds are payable from proceeds of Net Special Taxes levied on property within the CFDs according to the rate and method of apportionment of special tax approved by the Board and the eligible landowner voters in the CFDs. The bonds are secured only by a first pledge of all revenues derived from the net special taxes and the monies deposited in certain funds held by the fiscal agent under the fiscal agent agreement. Therefore, the bonds are not included in the financial statements.

A summary of the CFDs balances at June 30, 2020, is as follows:

Public Finance Authority	
PFA 2016 Series A	$ 35,145,000
PFA 2017 Series	22,115,000
Special Tax Refunding Bonds	
CFD 94-1	8,295,000
CFD 99-1 Zone 1	3,545,000
CFD 99-1 Zone 2	4,220,000
CFD 99-1 Improvement Area A	705,000
CFD 2002-1	4,060,000
CFD 2002-3	3,205,000
CFD 2003-3	2,025,000
Special Tax Bonds	
CFD 2002-2 (Refunded)	5,565,000
CFD 2002-4	1,940,000
CFD 2002-5	5,195,000
CFD 2003-1	1,975,000
CFD 2003-2 A	8,120,000
CFD 2003-2 B	3,050,000
CFD 2003-4	2,390,000
CFD 2004-2	3,700,000
CFD 2004-3	3,605,000
CFD 2004-4	1,970,000
CFD 2004-5	3,690,000
CFD 2004-6	3,325,000
CFD 2005-2	3,745,000
CFD 2006-1	5,980,000
CFD 2006-2	3,195,000
CFD 2006-3	1,560,000
CFD 2006-4	2,495,000
CFD 2011-1 Area 1	16,270,000
CFD 2011-1 Area 2	7,215,000
CFD 2011-1 Area 3	17,580,000
CFD 2011-1 Area 4	18,800,000
CFD 2014-1	4,130,000
CFD 2014-2	6,355,000
CFD 2014-3	12,635,000
CFD 2016-1 Area 1	5,750,000
CFD 2017-1	5,265,000
CFD 2018-2	7,585,000
Total	$ 246,400,000

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 5,000	$ -	$ -	$ -	$ -	$ 5,000
Stores inventories	-	-	-	-	101,432	101,432
Total nonspendable	5,000	-	-	-	101,432	106,432
Restricted						
Legally restricted programs	2,617,272	-	-	-	1,066,853	3,684,125
Capital projects	-	23,782,888	14,995,397	33,988,090	-	72,766,375
Debt services	-	-	-	-	11,322,565	11,322,565
Total restricted	2,617,272	23,782,888	14,995,397	33,988,090	12,389,418	87,773,065
Committed						
Deferred maintenance program	-	-	-	-	127,341	127,341
Assigned						
Energy conservation project	1,231,091	-	-	-	-	1,231,091
Textbook adoption	2,371,083	-	-	-	-	2,371,083
Early intervention grant	1,063,235	-	-	-	-	1,063,235
LCFF supplemental	1,328,620	-	-	-	-	1,328,620
Donations carryover	129,607	-	-	-	-	129,607
Instructional materials	173,623	-	-	-	-	173,623
Other	15,319	-	-	-	-	15,319
Total assigned	6,312,578	-	-	-	-	6,312,578
Unassigned						
Reserve for economic uncertainties	3,226,698	-	-	-	-	3,226,698
Remaining unassigned	3,641,350	-	-	-	-	3,641,350
Total unassigned	6,868,048	-	-	-	-	6,868,048
Total	$ 15,802,898	$ 23,782,888	$ 14,995,397	$ 33,988,090	$ 12,618,191	$ 101,187,464

Note 12 - Risk Management

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

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Riverside Schools' Insurance Authority (RSIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2020, the District participated in the Protected Insurance Program for Schools (PIPS). The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

Note 13 - Employee Retirement System

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 80,212,650	$ 25,814,233	$ 6,991,851	$ 10,994,781
CalPERS	26,441,798	6,690,006	264,438	4,857,026
Total	$ 106,654,448	$ 32,504,239	$ 7,256,289	$ 15,851,807

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $8,767,763.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 80,212,650
State's proportionate share of the net pension liability	43,761,356
Total	$ 123,974,006

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0888 percent and 0.0845 percent, resulting in a net increase in the proportionate share of 0.0043 percent.

For the year ended June 30, 2020, the District recognized pension expense of $10,994,781. In addition, the District recognized pension expense and revenue of $6,517,010 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,767,763	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,698,829	1,641,736
Differences between projected and actual earnings on pension plan investments	-	3,089,816
Differences between expected and actual experience in the measurement of the total pension liability	202,494	2,260,299
Changes of assumptions	10,145,147	-
Total	$ 25,814,233	$ 6,991,851

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (311,661)
2022	(2,452,950)
2023	(509,270)
2024	184,065
Total	$ (3,089,816)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 3,516,983
2022	3,516,982
2023	2,991,308
2024	2,915,860
2025	(68,560)
Thereafter	271,862
Total	$ 13,144,435

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 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, 2019, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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%)	$ 119,443,276
Current discount rate (7.10%)	80,212,650
1% increase (8.10%)	47,682,991

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $2,925,769.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $26,441,798. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.0907 percent and 0.0895 percent, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2020, the District recognized pension expense of $4,857,026. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,925,769	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	584,789	19,186
Differences between projected and actual earnings on pension plan investments	-	245,252
Differences between expected and actual experience in the measurement of the total pension liability	1,920,736	-
Changes of assumptions	1,258,712	-
Total	$ 6,690,006	$ 264,438

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 242,092
2022	(483,570)
2023	(73,280)
2024	69,506
Total	$ (245,252)

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

Year Ended June 30,	Deferred Outflows of Resources
2021	$ 2,240,734
2022	1,084,739
2023	381,433
2024	38,145
Total	$ 3,745,051

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 38,114,113
Current discount rate (7.15%)	26,441,798
1% increase (8.15%)	16,758,806

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $6,104,288 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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

Note 14 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
Harvest Hill STEAM Academy 6-8 Wing Addition	$ 4,643,533	November 2020
Districtwide Security Cameras	384,596	December 2020
Shade Structures	459,976	January 2021
Menifee Valley Middle School Reconstruction	26,297,509	August 2021
Chester W. Morrison Kindergarten	897,689	August 2021
Middle School #4	1,367,550	July 2022
Elementary School #15	1,958,741	August 2024
Total	$ 36,009,594	

Note 15 - Participation in Joint Power Authorities

The District is a member of the Riverside Schools Insurance Authority (RSIA), Self-Insurance Schools' of California III (SISC III), and the Protected Insurance Program for Schools (PIPS) joint powers authorities (JPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that they 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 generally available from the respective entities.

During the year ended June 30, 2020, the District made payments of $829,423, $1,847,687, and $7,609,551 to RSIA, PIPS, and SISC III, respectively, for its property liability, worker' compensation, and health coverage.

Note 16 - Subsequent Events

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

Required Supplementary Information
June 30, 2020

Menifee Union School District

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	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 92,405,782	$ 92,579,950	$ 92,653,519	$ 73,569
Federal sources	3,669,525	4,131,231	3,539,966	(591,265)
Other State sources	7,216,244	11,049,875	11,139,936	90,061
Other local sources	5,017,654	5,480,757	6,008,739	527,982
Total revenues	108,309,205	113,241,813	113,342,160	100,347
Expenditures				
Current				
Certificated salaries	50,902,665	52,290,352	51,972,475	317,877
Classified salaries	15,779,776	16,532,827	16,409,998	122,829
Employee benefits	26,904,065	29,218,436	28,967,608	250,828
Books and supplies	4,633,099	3,112,101	2,494,631	617,470
Services and operating expenditures	9,164,625	9,371,974	8,693,757	678,217
Other outgo	(19,179)	49,836	127,241	(77,405)
Capital outlay	100,330	207,836	176,067	31,769
Debt service				
Debt service - principal	1,237,648	1,237,648	1,237,647	1
Debt service - interest and other	116,648	116,648	116,647	1
Total expenditures	108,819,677	112,137,658	110,196,071	1,941,587
Excess (Deficiency) of Revenues Over Expenditures	(510,472)	1,104,155	3,146,089	2,041,934
Other Financing Sources (Uses)				
Transfers in	75,000	30,000	25,200	(4,800)
Transfers out	(358,000)	(365,000)	(363,165)	1,835
Net financing sources (uses)	(283,000)	(335,000)	(337,965)	(2,965)
Net Change in Fund Balances	(793,472)	769,155	2,808,124	2,038,969
Fund Balance - Beginning	12,994,774	12,994,774	12,994,774	-
Fund Balance - Ending	$ 12,201,302	$ 13,763,929	$ 15,802,898	$ 2,038,969

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 73,501	$ 66,039	$ 8,900
Interest	69,422	44,392	57,866
Changes of benefit terms	-	458,446	-
Difference between expected and actual experience	-	1,405,311	-
Changes of assumptions	(29,698)	(81,571)	(16,871)
Benefit payments	(884,142)	(936,270)	(536,348)
Net change in total OPEB liability	(770,917)	956,347	(486,453)
Total OPEB Liability - Beginning	2,584,750	1,628,403	2,114,856
Total OPEB Liability - Ending	$ 1,813,833	$ 2,584,750	$ 1,628,403
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1571%	0.1517%	0.1583%
Proportionate share of the net OPEB liability	$ 585,080	$ 580,715	$ 665,933
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.0888%	0.0845%	0.0874%	0.0838%	0.0816%	0.0750%
Proportionate share of the net pension liability	$ 80,212,650	$ 77,684,671	$ 80,856,865	$ 67,770,888	$ 54,954,910	$ 43,807,701
State's proportionate share of the net pension liability	43,761,356	44,478,108	47,834,238	38,580,758	29,065,089	26,452,981
Total	$ 123,974,006	$ 122,162,779	$ 128,691,103	$ 106,351,646	$ 84,019,999	$ 70,260,682
Covered payroll	$ 47,846,800	$ 45,674,380	$ 46,519,428	$ 41,439,497	$ 36,965,574	31,564,659
Proportionate share of the net pension liability as a percentage of its covered payroll	167.64%	170.08%	173.81%	163.54%	148.67%	138.79%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.0907%	0.0895%	0.0857%	0.0862%	0.0840%	0.0813%
Proportionate share of the net pension liability	$ 26,441,798	$ 23,866,036	$ 20,458,154	$ 17,018,276	$ 12,375,927	$ 9,235,131
Covered payroll	$ 12,713,016	$ 11,704,340	$ 11,000,468	$ 10,609,834	$ 9,099,414	8,479,987
Proportionate share of the net pension liability as a percentage of its covered payroll	207.99%	203.91%	185.98%	160.40%	136.01%	108.91%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 8,767,763	$ 7,789,459	$ 6,590,813	$ 5,852,144	$ 4,446,458	$ 3,282,543
Less contributions in relation to the contractually required contribution	8,767,763	7,789,459	6,590,813	5,852,144	4,446,458	3,282,543
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 51,273,468	$ 47,846,800	$ 45,674,380	$ 46,519,428	$ 41,439,497	$ 36,965,574
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 2,925,769	$ 2,296,225	$ 1,817,801	$ 1,527,745	$ 1,256,947	$ 1,071,092
Less contributions in relation to the contractually required contribution	2,925,769	2,296,225	1,817,801	1,527,745	1,256,947	1,071,092
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 14,835,804	$ 12,713,016	$ 11,704,340	$ 11,000,468	$ 10,609,834	$ 9,099,414
Contributions as a percentage of covered payroll	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

Schedule of 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, 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 the benefit terms since the previous valuation.
- *Change of assumptions* – There discount rate changed from 3.13 percent in 2019 to 2.45 percent in 2020.

Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program

This schedule presents information on the District's proportionate share of the total OPEB Liability- MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Change in benefit* terms – There were no changes in the benefit terms since the previous valuation.
- *Change of assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 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 of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

Supplementary Information
June 30, 2020

Menifee Union School District

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through Riverside County Special Education Local Plan Area			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	$ 1,955,974
Special Education Grants to States - Mental Health Allocation Plan	84.027A	15197	15,592
Special Education Preschool Grants	84.173	13430	68,252
Total Special Education Cluster			2,039,818
Passed Through California Department of Education			
Title I Grants to Local Educational Agencies	84.010	14329	1,088,880
Supporting Effective Instruction State Grants - Supporting Effective Education	84.367	14341	318,153
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	68,614
Student Support and Academic Enrichment Program	84.424	15396	24,501
Total U.S. Department of Education			3,539,966
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	1,391,075
School Breakfast Program - National School Breakfast	10.553	13525	2,971
School Breakfast Program - Especially Needy Breakfast	10.553	13526	319,127
National School Lunch Program - Summer Food Program	10.559	13004	189,212
National School Lunch Program - Commodity Supplemental Food	10.555	13391	268,478
Total Child Nutrition Cluster			2,170,863
Child and Adult Care Food Program	10.558	13393	9,241
Total U.S. Department of Agriculture			2,180,104
Total Expenditures of Federal Awards			$ 5,720,070

ORGANIZATION

The Menifee Union School District (the District) was established on December 7, 1951 and consists of an area comprising approximately 56 square miles. The District operates eleven elementary schools, one STEAM Academy, three middle schools, and two preschools. There were no boundary changes during this year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jacquelyn Johansen	President	2022
J. Kyle Root	Vice-President	2022
Kenyon W. Jenkins	Clerk	2020
Robert "Bob" O'Donnell	Deputy Clerk	2020
Reg Bennett	Member	2020

ADMINISTRATION

Jennifer Root	Superintendent
Walter Con	Interim Chief Business Officer
Chad McGough	Assistant Superintendent, Personnel Services
Dr. Kimberly Ann Huesing	Assistant Superintendent, Educational Services
Regina Hanson	Director of Fiscal Services

	Final Report Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,755.84	4,755.84
Fourth through sixth	3,371.19	3,371.19
Seventh and eighth	2,134.78	2,134.78
Total Regular ADA	10,261.81	10,261.81
Extended Year Special Education		
Transitional kindergarten through third	4.83	4.83
Fourth through sixth	1.73	1.73
Seventh and eighth	0.64	0.64
Total Extended Year Special Education	7.20	7.20
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.07	0.07
Fourth through sixth	3.27	3.27
Seventh and eighth	1.56	1.56
Total Special Education, Nonpublic, Nonsectarian Schools	4.90	4.90
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.42	0.42
Seventh and eighth	0.10	0.10
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.52	0.52
Total ADA	10,274.43	10,274.43

See Notes to Supplementary Information

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	38,700	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,740	180	N/A	Complied
Grade 2		52,740	180	N/A	Complied
Grade 3		54,140	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,140	180	N/A	Complied
Grade 5		54,140	180	N/A	Complied
Grade 6		54,700	180	N/A	Complied
Grade 7		54,700	180	N/A	Complied
Grade 8		54,700	180	N/A	Complied

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

	(Budget) 2021 [1]	2020	2019	2018
General Fund [3]				
Revenues	$ 107,241,964	$ 113,342,160	$ 111,483,890	$ 97,390,953
Other sources	30,000	25,200	78,668	62,545
Total Revenues and Other Sources	107,271,964	113,367,360	111,562,558	97,453,498
Expenditures	113,522,922	110,196,071	106,456,168	98,009,473
Other uses and transfers out	10,000	363,165	364,802	624,260
Total Expenditures and Other Uses	113,532,922	110,559,236	106,820,970	98,633,733
Increase/(Decrease) in Fund Balance	(6,260,958)	2,808,124	4,741,588	(1,180,235)
Ending Fund Balance	$ 9,541,940	$ 15,802,898	$ 12,994,774	$ 8,253,186
Available Reserves [2, 3]	$ 3,405,988	$ 6,868,048	$ 3,090,773	$ 2,959,012
Available Reserves as a Percentage of Total Outgo [3]	3.00%	6.21%	3.00%	3.00%
Long-Term Liabilities	N/A	$ 259,825,120	$ 260,115,419	$ 206,337,766
K-12 Average Daily Attendance at P-2	10,274	10,274	9,965	9,718

The General Fund balance has increased by $7,549,712 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $6,260,958 (39.62 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $53,487,354 over the past two years.

Average daily attendance has increased by 556 over the past two years. No change in ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments of $3,795,206 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

Name of Charter School and Charter Number	Included in Audit Report
Santa Rosa Academy (Charter No. 0730)	No

See Notes to Supplementary Information

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Assets						
Deposits and investments	$ 277,089	$ 825,299	$ 178,108	$ 8,276,493	$ 3,046,072	$ 12,603,061
Receivables	701	154,226	454	-	-	155,381
Due from other funds	-	1,427	-	-	-	1,427
Stores inventories	-	101,432	-	-	-	101,432
Total assets	$ 277,790	$ 1,082,384	$ 178,562	$ 8,276,493	$ 3,046,072	$ 12,861,301
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 139,062	$ 14,257	$ 51,221	$ -	$ -	$ 204,540
Due to other funds	4,174	21,860	-	-	-	26,034
Unearned revenue	12,536	-	-	-	-	12,536
Total liabilities	155,772	36,117	51,221	-	-	243,110
Fund Balances						
Nonspendable	-	101,432	-	-	-	101,432
Restricted	122,018	944,835	-	8,276,493	3,046,072	12,389,418
Committed	-	-	127,341	-	-	127,341
Total fund balances	122,018	1,046,267	127,341	8,276,493	3,046,072	12,618,191
Total liabilities and fund balances	$ 277,790	$ 1,082,384	$ 178,562	$ 8,276,493	$ 3,046,072	$ 12,861,301

See Notes to Supplementary Information

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
Revenues						
Federal sources	$ -	$ 2,180,104	$ -	$ -	$ -	$ 2,180,104
Other State sources	709,380	145,206	-	65,266	-	919,852
Other local sources	5,668	841,534	2,801	7,374,332	3,884,177	12,108,512
Total revenues	715,048	3,166,844	2,801	7,439,598	3,884,177	15,208,468
Expenditures						
Current						
Instruction	436,357	-	-	-	-	436,357
Instruction-related activities						
Supervision of instruction	234,618	-	-	-	-	234,618
Pupil services						
Food services	-	3,325,615	-	-	-	3,325,615
All other pupil services	23,997	-	-	-	-	23,997
Administration						
All other administration	38,871	171,390	-	-	-	210,261
Plant services	-	-	422,552	-	-	422,552
Other outgo	-	-	-	-	41,613	41,613
Debt service						
Principal	-	-	-	4,755,000	55,000	4,810,000
Interest and other	-	-	-	3,532,841	741,500	4,274,341
Total expenditures	733,843	3,497,005	422,552	8,287,841	838,113	13,779,354
Excess (Deficiency) of Revenues Over Expenditures	(18,795)	(330,161)	(419,751)	(848,243)	3,046,064	1,429,114
Other Financing Sources						
Transfers in	-	13,165	350,000	-	-	363,165
Net Change in Fund Balances	(18,795)	(316,996)	(69,751)	(848,243)	3,046,064	1,792,279
Fund Balance - Beginning	140,813	1,363,263	197,092	9,124,736	8	10,825,912
Fund Balance - Ending	$ 122,018	$ 1,046,267	$ 127,341	$ 8,276,493	$ 3,046,072	$ 12,618,191

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance.

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

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

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 administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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

Independent Auditor's Reports
June 30, 2020

Menifee Union School District

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CPAs & BUSINESS ADVISORS

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

To the Board of Directors
Menifee Union School District
Menifee, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee Union School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2020.

Internal Control over Financial Reporting

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

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
November 3, 2020

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

To the Board of Directors
Menifee Union School District
Menifee, California

Report on Compliance for Each Major Federal Program
We have audited Menifee Union School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

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Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
November 3, 2020

Independent Auditor's Report on State Compliance

To the Board of Directors
Menifee Union School District
Menifee, California

Report on State Compliance
We have audited Menifee Union School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for' the year ended June 30, 2020.

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

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

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

Compliance Requirements Tested

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

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

We did not perform procedures for Independent Study because the program is not offered by the District

We did not perform Continuation Education procedures because the program is not offered by the District.

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

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

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

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

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

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

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

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

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

Unmodified Opinion
In our opinion, the District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

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

Eide Bailly LLP

Rancho Cucamonga, California
November 3, 2020

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster	84.027, 84.027A, 84.173

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

STATE COMPLIANCE

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

None reported.

None reported.

None reported.

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