Annual Financial Report
June 30, 2019

Menifee Union School District

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MENIFEE UNION SCHOOL DISTRICT

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Menifee Union School District, as of June 30,2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 73, schedule of changes in the District's total OPEB liability and related ratios on page 74, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 75, schedule of the District's proportionate share of the net pension liability on page 76, and the schedule of District contributions on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the Menifee Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
December 16, 2019

This section of Menifee Union School District's (the District) (audited) annual financial report presents our discussion and analysis of the Menifee Union School District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. 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 obligations). 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.

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* -** All of the District's services are reported 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 aid, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, certificates of participation, and Community Facilities Districts, 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 Joint 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 $179,008,501 for the fiscal year ended June 30, 2019. Of this amount, ($68,733,740) 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	
	2019	2018
ASSETS		
Current and other assets	$ 139,253,988	$ 58,812,364
Capital assets	277,882,226	277,042,841
Total Assets	417,136,214	335,855,205
Deferred Outflows of Resources	33,430,028	34,672,659
LIABILITIES		
Current liabilities	5,226,572	5,658,095
Long-term obligations	158,564,712	105,022,747
Aggregate net pension liability	101,550,707	101,315,019
Total Liabilities	265,341,991	211,995,861
Deferred Inflows of Resources	6,215,750	3,876,905
NET POSITION		
Net investment in capital assets	221,201,766	200,431,193
Restricted	26,540,475	20,333,819
Unrestricted (deficit)	(68,733,740)	(66,109,914)
Total Net Position	$ 179,008,501	$ 154,655,098

Change 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 15.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 4,968,973	$ 2,187,010
Operating grants and contributions	18,314,005	16,241,974
General revenues:		
State revenue limit sources	76,661,549	69,354,796
Property and other taxes	21,174,886	19,452,141
Other general revenues	36,701,997	27,813,379
Total Revenues	157,821,410	135,049,300
Expenses		
Instruction-related	91,899,697	87,485,238
Pupil services	11,134,073	10,257,167
Administration	7,416,093	9,116,682
Plant services	12,888,398	10,458,446
Other	10,129,746	6,944,951
Total Expenses	133,468,007	124,262,484
Change in Net Position	$ 24,353,403	$ 10,786,816

Governmental Activities

As reported in the *Statement of Activities* on page 15 the cost of all of our governmental activities this year was $133,468,007. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $21,174,886 because the cost was paid by those who benefited from the programs ($4,968,973) or by other governments and organizations who subsidized certain programs with grants and contributions ($18,314,005). We paid for the remaining "public benefit" portion of our governmental activities with $113,363,546 in 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 Net Cost of Services	
	2019	2018
Instruction	$ 68,721,339	$ 66,338,008
Instruction-related activities	9,945,105	9,446,448
Other pupil services	6,232,164	5,846,862
General administration	6,802,138	8,176,667
Plant services	12,885,159	10,449,731
Other	5,599,124	5,575,784
Total	$ 110,185,029	$ 105,833,500

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $135,035,213 as detailed below:

Table 4

	2019	2018
General Fund	$ 12,994,774	$ 8,253,186
Building Fund	36,052,305	1,911,338
Capital Facilities Fund	14,060,961	10,566,221
Capital Project Fund for Blended Component Units	61,101,261	23,927,573
Bond Interest and Redemption Fund	9,124,736	7,621,142
Non-Major Governmental Funds	1,701,176	1,885,103
Total	$ 135,035,213	$ 54,164,563

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 2019. (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 72.)

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 (Fund 25) 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).
- The Bond Interest and Redemption Fund is used for the repayment of bonds issued.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $278 million in a broad range of capital assets, including land, buildings, and equipment.

Table 5

(Net of Accumulated Depreciation)	Governmental Activities	
	2019	2018
Land and construction in process	$ 46,894,257	$ 68,563,947
Buildings and improvements/site improvements	229,258,187	207,007,976
Equipment	1,729,782	1,470,918
Total	$ 277,882,226	$ 277,042,841

Long-Term Obligations

At the end of this year, the District had $158.6 million in long-term obligations outstanding versus $105 million last year. Those long-term obligations consisted of the following:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds (Net of Premiums and Discounts)	$ 111,146,012	$ 76,318,883
Certificates of participation and QZAB	22,388,338	24,116,066
Compensated absences	333,856	277,852
Lease revenue bond	19,530,000	-
Developer Fee Agreement	2,001,041	2,015,610
Net OPEB asset	3,165,465	2,294,336
Total	$ 158,564,712	$ 105,022,747

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of $101,550,707 versus $101,315,019 last year, an increase of $235,688.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019

- The district improved employee relations with District bargaining units and settled for 2018-19 with both units.
- In August 2018, the District opened its eleventh elementary school.
- Brought home to school transportation in-house for special education students.
- Recognized an enrollment growth of 275 students.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Numerous developers are increasing home permits within the District boundaries. The District anticipates enrollment will grow at an increased rate consistent with housing construction in the area. The District anticipates enrollment growth of 373 students for 2019-20.

- With the increase in enrollment growth, the District continues to hire staff. Staffing and financial planning will continue to be very conservative during the multi-year projection period.

- 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 of other school sites over the next seven years. In October 2019, the district has purchased the land for the next middle school.

- September 2019, the District received an improved S&P Global Rating from 'A-' to 'A' while affirming a stable outlook.

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 Ambur Borth, Assistant Superintendent, Business Services, Menifee Union School District, 29775 Haun Road, Menifee, California 92586, or email at business@menifeeusd.org.

MENIFEE UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 132,200,569
Receivables	7,006,838
Stores inventories	46,581
Capital Assets:	
Land and construction in process	46,894,257
Other capital assets	310,650,560
Less: Accumulated depreciation	(79,662,591)
Total Capital Assets	277,882,226
Total Assets	417,136,214
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	1,290,027
Deferred outflows of resources related to pensions	32,140,001
Total Deferred Outflows of Resources	33,430,028
LIABILITIES	
Accounts payable	4,144,982
Interest payable	1,007,797
Unearned revenue	73,793
Long-Term Obligations	
Current portion of long-term obligations other than pensions	6,464,961
Noncurrent portion of long-term obligations other than pensions	152,099,751
Total Long-Term obligation	158,564,712
Aggregate net pension liability	101,550,707
Total Liabilities	265,341,991
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,128,218
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	87,532
Total Deferred Inflows of Resources	6,215,750
NET POSITION	
Net investment in capital assets	221,201,766
Restricted for:	
Debt service	8,116,939
Capital projects	14,060,961
Educational programs	2,905,080
Other activities	1,457,495
Unrestricted	(68,733,740)
Total Net Position	$ 179,008,501

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

MENIFEE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction	$ 80,122,781	$ -	$ 11,401,442	$ (68,721,339)
Instruction-related activities:				
Supervision of instruction	3,829,830	-	1,587,563	(2,242,267)
Instructional library, media, and technology	1,193,007	-	6,990	(1,186,017)
School site administration	6,754,079	-	237,258	(6,516,821)
Pupil services:				
Home-to-school transportation	1,632,385	-	15,639	(1,616,746)
Food services	3,794,814	899,102	2,702,579	(193,133)
All other pupil services	5,706,874	-	1,284,589	(4,422,285)
General administration:				
Data processing	1,116,069	-	13,175	(1,102,894)
All other general administration	6,300,024	131,218	469,562	(5,699,244)
Plant services	12,888,398	-	3,239	(12,885,159)
Community services	109,749	-	-	(109,749)
Interest on long-term obligations	4,199,224	-	-	(4,199,224)
Other outgo	5,820,773	3,938,653	591,969	(1,290,151)
Total Governmental Activities	$ 133,468,007	$ 4,968,973	$ 18,314,005	(110,185,029)

General Revenues and Subventions:	
Property taxes, levied for general purposes	14,042,771
Property taxes, levied for debt service	6,693,403
Property taxes, levied for other specific purposes	438,712
State aid not restricted to specific purposes	76,661,549
Interest and investment earnings	149,325
Transfers between agencies	130,000
Miscellaneous	36,422,672
Total General Revenues and Subventions	134,538,432
Change in Net Assets	24,353,403
Net Position - Beginning	154,655,098
Net Position - Ending	$ 179,008,501

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

MENIFEE UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 11,365,759	$ 36,067,971	$ 13,296,229
Receivables	5,248,369	232,215	880,819
Due from other funds	115,646	-	-
Stores inventories	-	-	-
Total Assets	$ 16,729,774	$ 36,300,186	$ 14,177,048
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,657,543	$ 247,881	$ 37,419
Due to other funds	21,600	-	78,668
Unearned revenue	55,857	-	-
Total Liabilities	3,735,000	247,881	116,087
Fund Balances:			
Nonspendable	5,000	-	-
Restricted	2,905,080	36,052,305	14,060,961
Committed	-	-	-
Assigned	6,993,921	-	-
Unassigned	3,090,773	-	-
Total Fund Balances	12,994,774	36,052,305	14,060,961
Total Liabilities and Fund Balances	$ 16,729,774	$ 36,300,186	$ 14,177,048

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 61,101,261	$ 9,124,736	$ 1,244,613	$ 132,200,569
-	-	645,435	7,006,838
-	-	21,600	137,246
-	-	46,581	46,581
$ 61,101,261	$ 9,124,736	$ 1,958,229	$ 139,391,234
$ -	$ -	$ 202,139	$ 4,144,982
-	-	36,978	137,246
-	-	17,936	73,793
-	-	257,053	4,356,021
-	-	46,581	51,581
61,101,261	9,124,736	1,457,503	124,701,846
-	-	197,092	197,092
-	-	-	6,993,921
-	-	-	3,090,773
61,101,261	9,124,736	1,701,176	135,035,213
$ 61,101,261	$ 9,124,736	$ 1,958,229	$ 139,391,234

MENIFEE UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$**	**135,035,213**
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	$ 357,544,817		
Accumulated depreciation is	(79,662,591)		
Net Capital Assets			277,882,226
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.			(1,007,797)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:			
Pension contributions subsequent to measurement date	10,085,684		
Net change in proportionate share of net pension liability	5,601,654		
Difference between projected and actual earnings on pension plan investments	195,756		
Differences between expected and actual experience in the measurement of the total pension liability.	1,805,466		
Changes in assumptions	14,451,441		
Total Deferred Outflows of Resources Related to Pensions		$	32,140,001
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:			
Net change in proportionate share of net pension liability	(2,008,455)		
Difference between projected and actual earnings on pension plan investments	(2,991,350)		
Differences between expected and actual experience in the measurement of the total pension liability.	(1,128,413)		
Total Deferred Outflows of Resources Related to Pensions		$	(6,128,218)

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

MENIFEE UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of:		
Differences between expected and actual experience in the measurement of the net OPEB liability		1,290,027
Deferred inflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		(87,532)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(101,550,707)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ 103,602,048	
Premium on issuance	6,850,091	
Certificates of participation	2,737,926	
Discount on issuance	(75,803)	
QZAB	19,650,412	
Lease revenue bond	19,530,000	
Compensated absences (vacations)	333,856	
Net OPEB asset	3,165,465	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	769,676	
Developer fee agreement	2,001,041	
Total Long-Term Obligations		(158,564,712)
Total Net Position - Governmental Activities		**$ 179,008,501**

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

MENIFEE UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 86,867,443	$ -	$ -
Federal sources	4,123,877	-	-
Other State sources	13,692,182	-	-
Other local sources	6,800,387	513,548	6,929,815
Total Revenues	111,483,889	513,548	6,929,815
EXPENDITURES			
Current			
Instruction	70,093,484	-	-
Instruction-related activities:			
Supervision of instruction	3,518,960	-	-
Instructional library, media, and technology	1,155,879	-	-
School site administration	6,604,228	-	-
Pupil services:			
Home-to-school transportation	1,636,030	-	-
Food services	55,109	-	-
All other pupil services	5,550,972	-	-
General administration:			
Data processing	1,097,937	-	-
All other general administration	5,729,251	-	154,818
Plant services	9,147,738	-	-
Facility acquisition and construction	-	2,872,581	3,897,317
Community services	109,947	-	-
Other outgo	309,969	-	-
Debt service			
Principal	1,322,647	-	405,081
Interest and other	124,017	-	95,875
Total Expenditures	106,456,168	2,872,581	4,553,091
Excess (Deficiency) of Revenues Over Expenditures	5,027,721	(2,359,033)	2,376,724
Other Financing Sources (Uses)			
Transfers in	78,668	-	1,196,684
Other sources	-	36,500,000	-
Transfers out	(364,802)	-	(78,668)
Net Financing Sources (Uses)	(286,134)	36,500,000	1,118,016
NET CHANGE IN FUND BALANCES	4,741,587	34,140,967	3,494,740
Fund Balances - Beginning as restated	8,253,187	1,911,338	10,566,221
Fund Balances - Ending	$ 12,994,774	$ 36,052,305	$ 14,060,961

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 86,867,443
-	-	2,640,249	6,764,126
-	66,650	875,902	14,634,734
29,473,029	6,725,551	973,041	51,415,371
29,473,029	6,792,201	4,489,192	159,681,674
-	-	442,042	70,535,526
		-	
-	-	201,512	3,720,472
-	-	-	1,155,879
-	-	-	6,604,228
		-	
-	-	-	1,636,030
-	-	3,689,312	3,744,421
-	-	15,148	5,566,120
		-	
-	-	-	1,097,937
-	-	221,397	6,105,466
-	-	468,483	9,616,221
4,746,874	-	-	11,516,772
-	-	-	109,947
5,262,049	-	248,755	5,820,773
		-	
-	4,240,000	150,000	6,117,728
-	2,821,520	738,562	3,779,974
10,008,923	7,061,520	6,175,211	137,127,494
19,464,106	(269,319)	(1,686,019)	22,554,180
19,500,000	-	958,536	21,733,888
-	1,772,913	20,043,557	58,316,470
(1,790,418)	-	(19,500,000)	(21,733,888)
17,709,582	1,772,913	1,502,093	58,316,470
37,173,688	1,503,594	(183,926)	80,870,650
23,927,573	7,621,142	1,885,102	54,164,563
$ 61,101,261	$ 9,124,736	$ 1,701,176	$ 135,035,213

MENIFEE UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ 80,870,650**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation expense in the period.		
Capital outlays	$ 8,402,846	
Depreciation expense	(7,563,461)	
Net Expense Adjustment		839,385
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was less than amounts earned by $56,004.		(56,004)
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 inflows and net pension liability during the year.		(5,034,421)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Sale of general obligation bonds		(36,905,000)
Lease revenue bond		(19,680,000)
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.		346,128

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2019

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement		
Premium on issuance		(1,725,813)
Payment of bond principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	$ 4,240,000	
Certificates of participation	405,081	
Developer Fee Agreeement	14,569	
Lease revenue bond	150,000	
QZAB	1,322,647	
Combined Adjustment		$ 6,132,297
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	344,189	
Amortization of debt discount	(10,829)	
Combined Adjustment		333,360
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by $2,497, and second, $769,676 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(767,179)
Change in Net Position of Governmental Activities		**$ 24,353,403**

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

MENIFEE UNION SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds		
	Debt Service Special Tax Bonds	**Associated Student Body Funds**	**Total Agency Funds**
ASSETS			
Deposits and investments	$ 24,314,848	$ 110,205	$ 24,425,053
LIABILITIES			
Due to student groups	$ -	$ 110,205	$ 110,205
Due to bond holders	24,314,848	-	24,314,848
Total Liabilities	$ 24,314,848	$ 110,205	$ 24,425,053

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

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 grade Transitional K - 8 as mandated by the State and/or Federal agencies. The District operates ten 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 the 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 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*, 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.

Financial Presentation

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.

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).

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are 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).

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.

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.

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.

The Fiduciary Funds reporting focuses on net position and changes in net position. The District maintains fiduciary funds that are classified as agency funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District's agency funds include:

Debt Service Special Tax Bonds is an Agency fund used to account for the resources accumulated for the repayment of special tax debt of the Authority and CFDs described under financial reporting entity.

Associated Student Body Fund is an Agency fund used to account for student body activities.

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 direct expenses and program revenues for each segment of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. 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 segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: state apportionments, interest, certain grants, and other local sources.

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

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

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

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

Investments

Investments held at June 30, 2019, 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 used.

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 estimated fair market value on the date donated.

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

Interfund Balances

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and OPEB related items.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment Program (MPP) and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2019, 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 liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District 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 $26,540,483 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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

The District has implemented the provisions of this Statement as of June 30, 2019.

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

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

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

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

The District has implemented the provisions of this Statement as of June 30, 2019.

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, 2018. Early implementation is encouraged.

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

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

In 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.

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.

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.

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 activities	$ 132,200,569
Fiduciary funds	24,425,053
Total Deposits and Investments	$ 156,625,622

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

Cash on hand and in banks	$ 22,375,038
Cash in revolving	5,000
Investments	134,245,584
Total Deposits and Investments	$ 156,625,622

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
Riverside County Treasury Investment Pool	$ 71,094,300	387
Money Market Mutual Funds	63,151,284	20
Total	$ 134,245,584	

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. The investments with the Riverside County Investment Pool have been rated AAA by Fitch Ratings. The Money Market Mutual Funds are rated AAA by Fitch Ratings.

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, 2019, the District's bank balance of $63,151,284 was 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, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
Riverside County Treasury Investment Pool	$ 71,094,300	$ -	$ 71,094,300
Money Market Mutual funds	-	63,151,284	$ 63,151,284
Total	$ 71,094,300	$ 63,151,284	$ 134,245,584

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	$ 2,957,870	$ -	$ -	$ 578,698	$ 3,536,568
State Government					
State principal apportionment	44	-	-	-	44
Categorical aid	166,808	-	-	40,952	207,760
Lottery	488,829	-	-	-	488,829
Local Government					
Interest	57,984	232,215	79,057	7,910	377,166
Other local sources	1,576,834	-	801,762	17,875	2,396,471
Total	$ 5,248,369	$ 232,215	$ 880,819	$ 645,435	$ 7,006,838

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 43,724,548	$ 3,580	$ -	$ 43,728,128
Construction in process	24,839,399	5,262,848	26,936,118	3,166,129
Total Capital Assets Not Being Depreciated	68,563,947	5,266,428	26,936,118	46,894,257
Capital Assets Being Depreciated				
Site improvements	9,202,740	2,725,454	-	11,928,194
Buildings and improvements	263,640,786	27,027,223	-	290,668,009
Furniture and equipment	7,748,070	319,859	13,572	8,054,357
Total Capital Assets Being Depreciated	280,591,596	30,072,536	13,572	310,650,560
Total Capital Assets	349,155,543	35,338,964	26,949,690	357,544,817
Less Accumulated Depreciation				
Site improvements	4,671,848	583,567		5,255,415
Buildings and improvements	61,163,702	6,918,899		68,082,601
Furniture and equipment	6,277,152	60,995	13,572	6,324,575
Total Accumulated Depreciation	72,112,702	7,563,461	13,572	79,662,591
Governmental Activities Capital Assets, Net	$ 277,042,841	$ 27,775,503	$ 26,936,118	$ 277,882,226

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 7,336,557
Home-to-school transportation	226,904
Total Depreciation Expenses Governmental Activities	$ 7,563,461

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, 2019, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 78,668	$ 36,978	$ 115,646
Non-Major Governmental Funds	21,600	-	-	21,600
Total	$ 21,600	$ 78,668	$ 36,978	$ 137,246

A balance of $78,668 is due to the General Fund from the Capital Facilities Fund for 3% of developer fees for administrative costs.	$ 78,668
A balance of $3,192 is due to the General Fund from the Child Development Non-Major Fund for indirect charges.	3,192
The balance of $33,786 is due to the General Fund fund from the Cafeteria Non-Major Fund for indirect charges and print fees.	33,786
A balance of $21,600 is due to the Deferred Maintenance Non-Major Fund from the General Fund governmental fund for deferred maintenance.	21,600
Total	$ 137,246

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From				
Transfer To	General Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
General Fund	$ -	$ 78,668	$ -	$ -	$ 78,668
Capital Facilities Fund	-	-	1,196,684	-	1,196,684
Capital Project Fund for Blended Component Units	-	-		19,500,000	19,500,000
Non-Major Governmental Funds	364,802	-	593,734	-	958,536
Total	$ 364,802	$ 78,668	$ 1,790,418	$ 19,500,000	$ 21,733,888

The Debt Service for Blended Component Units Non-Major Governmental Fund transferred to the Capital Project Fund for Blended Component Units for lease revenue bond proceeds.	$ 19,500,000
The Capital Project Fund for Blended Component Units transferred to the Debt Service Non-Major Governmental Fund for debt service payments	593,734
The Capital Project Fund for Blended Component Units transferred to the Capital Facilities Fund for reimbursement of expenses.	1,196,684
The Capital Facilities Fund transferred to the General Fund for developer fees administrative costs.	78,668
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for bad debt expense.	14,802
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to commit funds.	350,000
Total	$ 21,733,888

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 1,744,753	$ -	$ 37,419	$ 193,781	$ 1,975,953
State principal apportionment	967,607	-	-	-	967,607
Salaries and benefits	945,183	-	-	8,358	953,541
Construction payables	-	247,881	-	-	247,881
Total	$ 3,657,543	$ 247,881	$ 37,419	$ 202,139	$ 4,144,982

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	$ 53,760	$ -	$ 53,760
State categorical aid	2,097	17,936	$ 20,033
Total	$ 55,857	$ 17,936	$ 73,793

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consist of the following:

	Balance Beginning of year	Addition	Deductions	Balance End of Year	Due in One Year
General obligation bonds	$ 70,937,048	$ 37,674,676	$ 4,240,000	$ 104,371,724	$ 4,755,000
Premium on issuance-General Obligation bonds	5,468,467	1,362,256	331,653	6,499,070	-
Discount on issuance	(86,632)	-	(10,829)	(75,803)	-
Certificates of Participation 2004 Refunding Series	3,143,007	-	405,081	2,737,926	417,314
QZAB	20,973,059		1,322,647	19,650,412	1,237,647
Lease revenue bond		19,680,000	150,000	19,530,000	55,000
Premium on issuance-Lease Revenue Bond		363,557	12,536	351,021	
Compensated absences	277,852	56,004		333,856	-
Developer fee agreement	2,015,610	-	14,569	2,001,041	
Net other postemployment benefits (OPEB) liability	2,294,336	956,347	85,218	3,165,465	-
	$ 105,022,747	$ 60,092,840	$ 6,550,875	$ 158,564,712	$ 6,464,961

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. QZAB payments are paid from the General Fund. Certificates of Participations and are paid from the Capital Projects Fund for Blended Component Units from resources of the Capital Facilities Fund, including developer fees. Developer fee agreement is being paid from the Capital Facilities fund. The Lease Revenue Bond payments are paid from the Debt Service Fund for Blended Component Units. The accumulated vacation liability is liquidated in the fund which the employee who earned the vacation is paid from. Payments for net other postemployment benefits (OPEB) liability are made from the General Fund and the fund in which the employee worked.

General Obligation Bonds

Series 2002 A

In June 2003, the District issued current interest and capital appreciation bonds, 2002 Election General Obligation Bond, Series A, in the amount of $9,429,203 (accreting to $9,930,000) in order to raise money for modernization, reconstruction, and new construction.

Series 2002 B

In May 2006, the District issued current interest and capital appreciation bonds, 2002 Series B, General Obligation Bonds, in the amount of $5,069,720 (accreting to $5,840,000) in order to raise money for modernization, reconstruction, and new construction.

Series 2008 B and C

In February 2009, the District issued General Obligation Bonds, Series B and C in the aggregate amount of $15,730,000. This amount was the remaining amount on the voter authorized amount and exhausts the voter authorized bonds of the February 2008 authorization of $31,460,000. The bonds include current interest bond maturities totaling $7,975,000 with interest rates ranging from 3 percent to 5.25 percent, and capital accretion type bonds with denominational amounts totaling $4,655,000 (maturing to $25.6 million) with accretion rates ranging from 6.8 percent to 10.509 percent. The bonds are issued for the purpose of financing acquisition and construction of new district facilities.

Series 2013 General Obligation Refunding Bonds

In February 2013, the District issued $8,835,000 in 2013 General Obligation Refunding Bonds. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds 2002 Series A. The Bonds mature February 1, 2028, with interest rates ranging from 1.25 percent to 3 percent.

Series 2014 General Obligation Refunding Bonds

In February 2013, the District issued $4,230,000 in 2014 General Obligation Refunding Bonds. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds 2002 Series B. The Bonds mature February 1, 2030, with interest rates ranging from 2 percent to 5 percent.

Series 2016 General Obligation Refunding Bonds

In August 2016, the District issued $25,010,000 in 2016 General Obligation Refunding Bonds. Proceeds from the bond were used to advance refund a portion of the Districts outstanding 2008 Election General Obligation Series A and a portion of the Districts outstanding 2008 General Obligation Bond Series B. The bonds mature February 1, 2034 with interest rates ranging from 2 percent to 5 percent.

Bonds were defeased per escrow agreement with US Bank dated August 1, 2016. Amount deposited to escrow was $26,850,536.54. These funds were used to purchase TNote securities with varying interest rates. Subsequently, the 2008 Series A bonds will be redeemed in the total principal amount for $14,630,000 on August 1, 2018. Until that time, interest payments will be made on the outstanding defeased bonds. 2009 series B bonds will also be redeemed on August 1, 2019 and will also pay interest on the outstanding defeased bonds until redemption. The total amount of all interest and principal payments scheduled for both series is $27,249,487.50. The difference between this amount and the original deposit to escrow is $398,950.96 which will presumptively be earned on the escrow balance over the remaining debt pay off.

Series 2017 A

In an election held November, 2016, the District voters authorized a bond in the amount of $135,000,000. In June 2017, the District issued General Obligation Bonds, Series A in the amount of $23,295,000 and 17.33 percent of the authorized amount. The bonds were issued for the purpose of paying to finance the acquisition and construction of eligible school facilities.

Series 2018 B

In an election held November, 2016, the District voters authorized a bond in the amount of $135,000,000. In November 2018, the District issued General Obligation Bonds, Series B in the amount of $36,905,000. The bonds were issued for the purpose of paying to finance the acquisition and construction of eligible school facilities.

The changes in the District's general obligation refunding bonds during the year consist of the following:

Series	Fiscal Year of Maturities	Interest and Accretion Rates	Original Issue	Bonds/Premium Outstanding Beginning of Year	Accreted Interest or Addition	Redeemed or Amortized	Bonds/Premium and discount Outstanding End of Year	Due in One Year
2002 B	2031	3.00-4.27%	$ 5,069,720	$ 504,104	$ 31,204	$ -	$ 535,308	$ -
Premiums on Issuance			-	85,954		7,814	78,140	-
2008 A	2019	4.00-5.50%	15,730,000	300,000		300,000	-	
Premiums on Issuance			-	165,998		11,857	154,141	
2008 B & C	2039	3.00-10.51%	15,730,000	10,012,944	738,472	300,000	10,451,416	375,000
Premiums on Issuance			-	793,562		36,071	757,491	
2013	2031	1.25-3.00%	8,835,000	8,320,000		500,000	7,820,000	555,000
Discount on Issuance			-	(86,632)		(10,829)	(75,803)	
2014	2031	2.00-5.00%	4,230,000	3,910,000		125,000	3,785,000	150,000
Premiums on Issuance			-	128,424		10,702	117,722	
2016	2035	2.00-5.00%	25,010,000	24,495,000		340,000	24,155,000	635,000
Premiums on Issuance				2,068,254		121,662	1,946,592	
2017	2043	3.00-5.00%	23,395,000	23,395,000		2,675,000	20,720,000	2,785,000
Premiums on Issuance				2,226,275		89,051	2,137,224	
2018	2043	3.00-5.00%	36,905,000	-	36,905,000		36,905,000	255,000
Premiums on Issuance				-	1,362,256	54,496	1,307,760	-
			$ 134,904,720	$ 76,318,883	$ 39,036,932	$ 4,560,824	$ 110,794,991	$ 4,755,000

Debt Service Requirements to Maturity

Series 2002 B

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2029-2032	$ 535,308	$ 464,692	$ 1,000,000

Series 2008 B and C

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2020	$ 375,000	$ -	$ 8,438	$ 383,438
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	3,558,894	9,541,106	-	13,100,000
2035-2038	6,517,522	15,982,478	-	22,500,000
Total	$ 10,451,416	$ 25,523,584	$ 8,438	$ 35,983,438

Series 2013 Refunding

The bonds mature as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 555,000	$ 208,375	$ 763,375
2021	615,000	196,675	811,675
2022	690,000	182,763	872,763
2023	760,000	165,500	925,500
2024	845,000	143,325	988,325
2025-2028	4,355,000	276,675	4,631,675
Total	$ 7,820,000	$ 1,173,313	$ 8,993,313

Series 2014 Refunding

The bonds mature as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 150,000	$ 130,438	$ 280,438
2021	190,000	125,338	315,338
2022	205,000	119,413	324,413
2023	215,000	113,113	328,113
2024	235,000	104,013	339,013
2025-2029	2,320,000	329,806	2,649,806
2030-2032	470,000	7,638	477,638
Total	$ 3,785,000	$ 929,759	$ 4,714,759

Series 2016 Refunding

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 635,000	$ 743,456	$ 1,378,456
2021	1,080,000	718,681	1,798,681
2022	1,195,000	673,181	1,868,181
2023	1,345,000	622,381	1,967,381
2024	1,475,000	565,981	2,040,981
2025-2029	10,185,000	1,854,069	12,039,069
2030-2034	8,240,000	449,866	8,689,866
Total	$ 24,155,000	$ 5,627,615	$ 29,782,615

Series 2017 Series A

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 2,785,000	$ 848,481	$ 3,633,481
2021	905,000	774,681	1,679,681
2022	750,000	737,831	1,487,831
2023	125,000	715,956	840,956
2024	170,000	708,581	878,581
2025-2029	1,570,000	3,352,156	4,922,156
2030-2034	3,155,000	2,830,231	5,985,231
2035-2039	5,085,000	2,168,228	7,253,228
2040-2044	6,175,000	687,356	6,862,356
Total	$ 20,720,000	$ 12,823,501	$ 33,543,501

Series 2018 Series B

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	255,000	1,042,356	1,297,356
2021	435,000	1,584,050	2,019,050
2022	315,000	1,562,300	1,877,300
2023	705,000	1,546,550	2,251,550
2024	-	1,511,300	1,511,300
2025-2029	1,705,000	7,440,500	9,145,500
2030-2034	5,085,000	6,736,750	11,821,750
2035-2039	10,030,000	5,191,512	15,221,512
2040-2043	18,375,000	2,422,400	20,797,400
Total	$ 36,905,000	$ 29,037,718	$ 65,942,718

Certificates of Participation

In July 2012, the District issued Refunding Certificates of Participation in the amount of $5,139,197. Interest rates on the certificates are 3.15 percent. The certificates mature through 2026.

The certificates are issued to refinance on an advance basis the outstanding 2004 lease obligation of the District and the related certificates of participation.

At June 30, 2019, the principal balance outstanding was $2,737,926.

Fiscal Year	Principal	Interest	Total
2020	$ 417,314	$ 82,995	$ 500,309
2021	428,841	69,776	498,617
2022	444,363	56,159	500,522
2023	459,289	42,056	501,345
2024	471,421	27,459	498,880
2025-2026	516,698	14,708	531,406
Total	$ 2,737,926	$ 293,153	$ 3,031,079

Qualified Zone Academy Bond

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. The certificates mature on June 1, 2031. At, June 30, 2019, the outstanding balance was $19,650,412.

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 1,237,647	$ 116,647	$ 1,354,294
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
2025-2029	8,714,235	307,403	9,021,638
2030-2031	4,544,942	33,298	4,578,240
Total	$ 19,650,412	$ 863,237	$ 20,513,649

Lease Revenue Bond

In September 2018, the District issued $19,680,000 in Lease Revenue Bonds. The proceeds of the Bonds will be used to finance school facilities, provide a debt service reserve insurance policy or surety for the Bonds, and pay the costs incurred in connection with the issuance of the Bonds, including the premium for a municipal bond insurance policy and debt service reserve insurance policy. The outstanding principal balance at June 30, 2019, is $19,530,000.

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 55,000	$ 741,500	$ 796,500
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
2025-2029	1,590,000	3,441,250	5,031,250
2030-2034	2,615,000	2,978,800	5,593,800
2035-2039	3,830,000	2,391,194	6,221,194
2039-2044	5,310,000	1,634,775	6,944,775
2045-2048	5,595,000	536,600	6,131,600
Total	$ 19,530,000	$ 14,660,769	$ 34,190,769

Compensated absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $333,856.

Developer Fee 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, 2019, the outstanding balance on the site purchase to be reduced by future Fee Credits was $2,001,041.

Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, 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
District Plan	$ 2,584,750	$ 1,290,027	$ 87,532	$ 956,347
Medicare Premium Payment (MPP) Program	580,715	-	-	(85,218)
Total	$ 3,165,465	$ 1,290,027	$ 87,532	$ 871,129

The details of each plan are as follows:

<u>District Plan</u>

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, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	88
Active employees	851
	939

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 Menifee Union School District's Governing Board (the Governing Board) has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed $936,270 to the Plan, of which was used for current premiums.

Total OPEB Liability of the District

Actuarial assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.25 percent, average, including inflation
Discount Rate	3.13 percent
Health care cost trend rates	5.00 percent for 2019

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 actual assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 1,628,403
Service cost	66,039
Interest	44,392
Changes of benefit terms	458,446
Differences between expected and actual experience	1,405,311
Changes of assumptions or other inputs	(81,571)
Benefit payments	(936,270)
Net change in total OPEB liability	956,347
Balance at June 30, 2019	$ 2,584,750

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 (2.13%)	$ 2,687,194
Current discount rate (3.13%)	2,584,750
1% increase (4.13%)	2,489,025

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

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

Health Care Cost Trend Rates	Total OPEB Liability
1% decrease (4.00%)	$ 2,445,066
Current healthcare cost trend rate (5.00%)	2,584,750
1% increase (6.00%)	2,768,406

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

For the year ended June 30, 2019, the District recognized OPEB expense of $956,347. At June 30, 2018, 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	$ 1,290,027	$ -
Changes of assumptions	-	87,532
Total	$ 1,290,027	$ 87,532

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

Year Ended June 30,	Deferred (Inflows) of Resources
2020	$ 106,483
2021	106,483
2022	106,483
2023	106,483
2024	106,483
Thereafter	670,080
	$ 1,202,495

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium (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, 2017, 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, benefit payments 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.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District's contributions. 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, 2019, the District reported a liability of $580,715 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, respectively, was 0.1517 percent and 0.1583 percent, resulting in a net decrease in the proportionate share of 0.0066 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of ($85,218).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018 using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
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	3.87%	3.58%
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, 2017, 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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, 2018 is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018 was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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 (2.87%)	$ 642,300
Current discount rate (3.87%)	580,715
1% increase (4.87%)	525,108

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 current Medicare cost trend 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 529,553
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	580,715
1% increase (4.7% Part A and 5.1% Part B)	635,738

NOTE 10 - NON OBLIGATORY DEBT

Community Facilities Districts (CFDs)

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, 2019, is as follows:

Public Finance Authority	
PFA 2016 Series A	$ 36,375,000
PFA 2017 Series	23,295,000
Special Tax Refunding Bonds	
CFD 94-1	8,815,000
CFD 99-1 Zone 1	3,770,000
CFD 99-1 Zone 2	4,445,000
CFD 99-1 Improvement Area A	745,000
CFD 2002-1	4,250,000
CFD 2002-3	3,375,000
CFD 2003-3	2,130,000
Special Tax Bonds	
CFD 2002-2 (Refunded)	5,840,000
CFD 2002-4	2,000,000
CFD 2002-5	5,370,000
CFD 2003-1	2,040,000
CFD 2003-2 A	8,425,000
CFD 2003-2 B	3,095,000
CFD 2003-4	2,470,000
CFD 2004-2	3,810,000
CFD 2004-3	3,730,000
CFD 2004-4	2,035,000
CFD 2004-5	3,795,000
CFD 2004-6	3,425,000
CFD 2005-2	3,855,000
CFD 2006-1	6,130,000
CFD 2006-2	3,270,000
CFD 2006-3	1,615,000
CFD 2006-4	2,495,000
CFD 2011-1 Area 1	16,420,000
CFD 2011-1 Area 2	7,310,000
CFD 2011-1 Area 3	17,580,000
CFD 2014-1	4,170,000
CFD 2014-2	6,405,000
CFD 2016-1 Area A	5,750,000
CFD 2017-1	5,265,000
Total	$ 213,500,000

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund
Nonspendable			
Revolving cash	$ 5,000	$ -	$ -
Stores inventories	-	-	-
Total Nonspendable	5,000	-	-
Restricted			
Legally restricted programs	2,905,080	-	
Capital projects	-	36,052,305	14,060,961
Debt services	-	-	-
Total Restricted	2,905,080	36,052,305	14,060,961
Committed			
Deferred maintenance program	-	-	-
Assigned			
Other assignments	6,993,921	-	-
Unassigned			
Economic uncertainties	3,090,773	-	-
Total	$ 12,994,774	$ 36,052,305	$ 14,060,961

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
$ -	$ -	$ -	$ 5,000
-		46,581	46,581
-	-	46,581	51,581
		1,457,495	4,362,575
61,101,261		-	111,214,527
-	9,124,736	8	9,124,744
61,101,261	9,124,736	1,457,503	124,701,846
		197,092	197,092
-		-	6,993,921
-	-	-	3,090,773
$ 61,101,261	$ 9,124,736	$ 1,701,176	$ 135,035,213

NOTE 13 - RISK MANAGEMENT

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

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 2019, 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 14 - 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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 77,684,671	$ 25,079,707	$ 6,089,846	$ 10,233,126
CalPERS	23,866,036	7,060,294	38,372	4,886,979
Total	$ 101,550,707	$ 32,140,001	$ 6,128,218	$ 15,120,105

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, 2017, 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, 2019, 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	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

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, 2019, are presented above and the District's total contributions were $7,789,459.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 77,684,671
State's proportionate share of the net pension liability associated with the District	44,478,108
Total	$ 122,162,779

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.0845 percent and 0.0874 percent, resulting in a net decrease in the proportionate share of 0.0029 percent.

For the year ended June 30, 2019, the District recognized pension expense of $10,233,126. In addition, the District recognized pension expense and revenue of $5,225,175 for support provided by the State. At June 30, 2019, 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	$ 7,789,459	$ -
Net change in proportionate share of net pension liability	4,980,828	1,970,083
Differences between projected and actual earnings on pension plan investments	-	2,991,350
Differences between expected and actual experience in the measurement of the total pension liability	240,897	1,128,413
Changes of assumptions	12,068,523	
Total	$ 25,079,707	$ 6,089,846

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
2020	$ 649,508
2021	(471,299)
2022	(2,509,627)
2023	(659,932)
Total	$ (2,991,350)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected 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
2020	$ 3,136,513
2021	3,136,513
2022	3,136,513
2023	2,602,332
2024	2,519,639
Thereafter	(339,758)
Total	$ 14,191,752

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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, 2018, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 113,798,953
Current discount rate (7.10%)	77,684,671
1% increase (8.10%)	47,742,428

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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

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, 2019, are presented above and the total District contributions were $2,296,225.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $23,866,036. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.0895 percent and 0.0857 percent, resulting in a net increase in the proportionate share of 0.0038 percent.

For the year ended June 30, 2019, the District recognized pension expense of $4,886,979. At June 30, 2019, 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	$ 2,296,225	$ -
Net change in proportionate share of net pension liability	620,826	38,372
Difference between projected and actual earnings on pension plan investments	195,756	-
Differences between expected and actual experience in the measurement of the total pension liability	1,564,569	-
Changes of assumptions	2,382,918	-
Total	$ 7,060,294	$ 38,372

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
2020	$ 712,004
2021	170,269
2022	(545,651)
2023	(140,866)
Total	$ 195,756

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,997,135
2021	1,836,513
2022	696,293
Total	$ 4,529,941

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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 Estate	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%)	$ 34,747,808
Current discount rate (7.15%)	23,866,036
1% increase (8.65%)	14,838,049

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 and CalPERS in the amount of $7,091,096 and $809,165 respectively (9.828 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.). 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. This amount was reported in both State revenues and Instructional Expenditures within the General Fund. 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 2018–2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule.*

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is not currently a party to any legal proceedings.

Federal and State Grants

The District received financial assistance from Federal and State agencies in the form of grants for categorical and construction. 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, 2019

NOTE 16 - 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 JPA's 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.

The District has appointed one board member to the governing board of the Insurance Authority.

During the year ended June 30, 2019, the District made payments of $702,779 to Riverside Schools' Insurance Authority, $1,600,009 to Protected Insurance Program for Schools, and $6,750,125 to Self Insurance Schools' of California III for insurance.

REQUIRED SUPPLEMENTARY INFORMATION

MENIFEE UNION SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 86,556,752	$ 86,841,200	$ 86,867,443	$ 26,243
Federal sources	3,430,223	4,259,726	4,123,877	(135,849)
Other State sources	10,130,808	10,054,473	13,692,182	3,637,709
Other local sources	4,975,441	6,253,940	6,800,387	546,447
Total Revenues [1]	105,093,224	107,409,339	111,483,889	4,074,550
EXPENDITURES				
Current				
Certificated salaries	47,042,997	49,183,986	52,383,790	(3,199,804)
Classified salaries	13,704,334	14,255,140	14,128,235	126,905
Employee benefits	24,445,357	24,933,455	24,514,831	418,624
Books and supplies	4,406,907	4,724,588	3,711,823	1,012,765
Services and operating expenditures	10,542,644	11,012,571	10,128,730	883,841
Other outgo	1,492,459	1,444,959	1,535,236	(90,277)
Capital outlay	112,330	301,132	53,523	247,609
Total Expenditures [1]	101,747,028	105,855,831	106,456,168	(600,337)
Excess of Revenues Over Expenditures	3,346,196	1,553,508	5,027,721	3,474,213
Other Financing Sources (Uses)				
Transfers in	45,000	66,000	78,668	12,668
Transfers out	(355,000)	(366,000)	(364,802)	1,198
Net Financing Sources (Uses)	(310,000)	(300,000)	(286,134)	13,866
NET CHANGE IN FUND BALANCE	3,036,196	1,253,508	4,741,587	3,488,079
Fund Balance - Beginning	8,253,187	8,253,187	8,253,187	-
Fund Balance - Ending	$ 11,289,383	$ 9,506,695	$ 12,994,774	$ 3,488,079

See accompanying note to required supplementary information.

[1] On behalf payments of $3,795,206 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 66,039	$ 8,900
Interest	44,392	57,866
Changes of benefit terms	458,446	-
Difference between expected and actual experience	1,405,311	-
Changes of assumptions	(81,571)	(16,871)
Benefit payments	(936,270)	(536,348)
Net change in total OPEB liability	956,347	(486,453)
Total OPEB liability - beginning	1,628,403	2,114,856
Total OPEB liability - ending	$ 2,584,750	$ 1,628,403
Covered-employee payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered-employee payroll	N/A[1]	N/A[1]

[1] The District's 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 become available, ten years of information will be presented.

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,[1]	2019	2018
District's proportion of the net OPEB liability	0.1517%	0.1583%
District's proportionate share of the net OPEB liability	$ 580,715	$ 665,933
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%	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.

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

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.0845%	0.0874%
District's proportionate share of the net pension liability	$ 77,684,671	$ 80,856,865
State's proportionate share of the net pension liability associated with the District	44,478,108	47,834,238
Total	$ 122,162,779	$ 128,691,103
District's covered - employee payroll	$ 45,674,380	$ 46,519,428
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	170.08%	173.81%
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.0895%	0.0857%
District's proportionate share of the net pension liability	$ 23,866,036	$ 20,458,154
District's covered - employee payroll	$ 11,704,340	$ 10,998,884
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	203.91%	186.00%
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.0838%	0.0816%	0.0750%
$ 67,770,888	$ 54,954,910	$ 43,807,701
38,580,758	29,065,089	26,452,981
$ 106,351,646	$ 84,019,999	$ 70,260,682
$ 41,439,497	$ 36,965,574	$ 31,564,659
163.54%	148.67%	138.79%
70%	74%	77%
0.0862%	0.0840%	0.0813%
$ 17,018,276	$ 12,375,927	$ 9,235,131
$ 10,609,834	$ 9,099,414	$ 8,479,987
160.40%	136.01%	108.91%
74%	79%	83%

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 7,789,459	$ 6,590,813
Contributions in relation to the contractually required contribution	7,789,459	6,590,813
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 47,846,800	$ 45,674,380
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 2,296,225	$ 1,817,801
Contributions in relation to the contractually required contribution	2,296,225	1,817,801
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 12,714,424	$ 11,704,340
Contributions as a percentage of covered - employee payroll	18.06%	15.53%

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

See accompanying note to required supplementary information.

2017	2016	2015
$ 5,852,144	$ 4,446,458	$ 3,282,543
5,852,144	4,446,458	3,282,543
$ -	$ -	$ -
$ 46,519,428	$ 41,439,497	$ 36,965,574
12.58%	10.73%	8.88%
$ 1,527,745	$ 1,256,947	$ 1,071,092
1,527,745	1,256,947	1,071,092
$ -	$ -	$ -
$ 10,998,884	$ 10,609,834	$ 9,099,414
13.89%	11.85%	11.77%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

At June 30, 2019, the District's General Fund exceeded the budgeted amount in the total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	$ 106,221,831	$ 106,820,970	$ 599,139

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 3.62 percent in 2018 to 3.13 percent in 2019.

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 3.58 percent to 3.87 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

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14981	$ 1,519,783
Title II, Part A - Supporting Effective Instruction Local Grants	84.367	14341	254,449
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	94,827
English Language Acquisition State Grants			
Title III - Immigrant Student Program	84.365	15146	743
Title III - English Learner Student Program	84.365	14346	98,141
Subtotal English Language Acquisition Grants			98,884
Subtitle B of Title VII of the McKinney-Vento Homeless Assistance Act	84.196	14332	616
Passed through Riverside County Special Education Local Plan Area:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,799,801
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	60,463
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	177,616
Preschool Staff Development, Part B, Section 619	84.173A	13431	997
Total Special Education (IDEA) Cluster			2,038,877
Total U.S. Department of Education			4,007,436
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	419,643
National School Lunch Program	10.555	13523	1,901,650
Food Distribution	10.555	13524	303,744
Total Child Nutrition Cluster			2,625,037
Child and Adult Care Food Program	10.558	13393	15,212
Total U.S. Department of Agriculture			2,640,249
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	172,832
Total Federal Programs			$ 6,820,517

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

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 ten 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
Reg Bennett	President	2020
Jacquelyn Johansen	Vice President	2022
J. Kyle Root	Clerk	2022
Kenyon W. Jenkins	Deputy Clerk	2020
Robert “Bob” O’Donnell	Member	2020

ADMINISTRATION

Steve Kennedy, Ed.D.	Superintendent
Ambur Borth	Assistant Superintendent, Business Services
Chad McGough	Assistant Superintendent, Personnel Services
Dr. Kimberly Ann Huesing	Assistant Superintendent, Educational Services
Regina Hanson	Director of Fiscal Services

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,598.97	4,608.19
Fourth through sixth	3,263.85	3,262.84
Seventh and eighth	2,087.98	2,086.16
Total Regular ADA	9,950.80	9,957.19
Extended Year Special Education		
Transitional kindergarten through third	3.90	3.90
Fourth through sixth	2.10	2.10
Seventh and eighth	0.95	0.95
Total Extended Year Special Education	6.95	6.95
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	4.69	4.32
Fourth through sixth	3.84	3.67
Seventh and eighth	2.45	2.37
Total Special Education, Nonpublic, Nonsectarian Schools	10.98	10.36
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.33	0.33
Fourth through sixth	0.21	0.21
Seventh and eighth	0.32	0.32
Total Special Education, Nonpublic, Nonsectarian Schools	0.86	0.86
Total ADA	9,969.59	9,975.36

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

	1986-87	2018-19	Number of Days		
Grade Level	Minutes Requirement	Actual Minutes	Traditional Calendar	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 - 6	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
Grades 7 - 8	54,000				
Grade 7		54,700	180	N/A	Complied
Grade 8		54,700	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND [3]				
Revenues	$ 108,309,205	$ 111,483,890	$ 97,390,953	$ 93,290,376
Other sources and transfers in	75,000	78,668	62,545	39,027
Total Revenues and Other Sources	108,384,205	111,562,558	97,453,498	93,329,403
Expenditures	108,819,677	106,456,168	98,009,473	95,007,788
Other uses and transfers out	358,000	364,802	624,260	5,011
Total Expenditures and Other Uses	109,177,677	106,820,970	98,633,733	95,012,799
INCREASE (DECREASE) IN FUND BALANCE	$ (793,472)	$ 4,741,588	$ (1,180,235)	$ (1,683,396)
ENDING FUND BALANCE	$ 12,201,303	$ 12,994,775	$ 8,253,187	$ 9,433,422
AVAILABLE RESERVES [2]	$ 3,275,331	$ 3,090,773	$ 2,959,012	$ 2,850,384
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.00%	3.00%	3.00%
LONG TERM OBLIGATIONS	N/A	$158,564,712	$ 105,022,747	$ 108,316,514
K-12 AVERAGE DAILY ATTENDANCE AT P-2	10,270	9,965	9,718	9,712

The General Fund balance has increased by $3,561,352 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $793,472 (6.11 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $50,248,198 over the past two years.

Average daily attendance has increased by 253 over the past two years. Additional growth of 305 ADA is anticipated during fiscal year 2019-2020.

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1 Budget 2020 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.

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

Name of Charter School	Included in Audit Report
Santa Rosa Charter School	No

See accompanying note to supplementary information.

MENIFEE UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 268,283	$ 731,357	$ 244,965
Receivables	1,094	642,374	1,967
Due from other funds	-	-	21,600
Stores inventories	-	46,581	-
Total Assets	$ 269,377	$ 1,420,312	$ 268,532
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 107,436	$ 23,263	$ 71,440
Due to other funds	3,192	33,786	-
Unearned revenue	17,936	-	-
Total Liabilities	128,564	57,049	71,440
Fund Balances:			
Nonspendable	-	46,581	-
Restricted	140,813	1,316,682	-
Committed	-	-	197,092
Total Fund Balances	140,813	1,363,263	197,092
Total Liabilities and Fund Balances	$ 269,377	$ 1,420,312	$ 268,532

See accompanying note to supplementary information.

Debt Service Fund For Blended Component Units	Total Non-Major Governmental Funds
$ 8	$ 1,244,613
-	645,435
-	21,600
-	46,581
$ 8	$ 1,958,229
$ -	$ 202,139
-	36,978
-	17,936
-	257,053
-	46,581
8	1,457,503
-	197,092
8	1,701,176
$ 8	$ 1,958,229

MENIFEE UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ -	$ 2,640,249	$ -
Other State sources	694,057	181,845	-
Other local sources	4,060	963,279	5,668
Total Revenues	698,117	3,785,373	5,668
EXPENDITURES			
Current			
Instruction	442,042	-	-
Instruction-related activities:			
Supervision of instruction	201,512	-	-
Pupil services:			
Food services	-	3,689,312	-
All other pupil services	15,148	-	-
General administration:			
All other general administration	33,167	188,230	-
Plant services	-	-	468,483
Facility acquisition and construction	-	-	-
Ancillary services	-	-	-
Community services	-	-	-
Other outgo	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	691,869	3,877,542	468,483
Excess of Revenues Over Expenditures	6,248	(92,169)	(462,815)
Other Financing Sources			
Transfers in	-	14,802	350,000
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources	-	14,802	350,000
NET CHANGE IN FUND BALANCES	6,248	(77,367)	(112,815)
Fund Balances - Beginning	134,565	1,440,630	309,907
Fund Balances - Ending	$ 140,813	$ 1,363,263	$ 197,092

See accompanying note to supplementary information.

Debt Service Fund For Blended Component Units	Total Non-Major Governmental Funds
$ -	$ 2,640,249
-	875,902
34	973,041
34	4,489,192
-	442,042
-	201,512
-	3,689,312
-	15,148
-	221,397
-	468,483
-	-
-	-
-	-
248,755	248,755
	-
150,000	150,000
738,562	738,562
1,137,317	6,175,211
(1,137,283)	(1,686,019)
593,734	958,536
20,043,557	20,043,557
(19,500,000)	(19,500,000)
1,137,291	1,502,093
8	(183,926)
-	1,885,102
$ 8	$ 1,701,176

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of (Medi-Cal Billing Option Program) funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 6,764,126
Medi-Cal Billing Option	93.778	56,391
Total Schedule of Expenditures of Federal Awards		$ 6,820,517

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/County Office of Education 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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

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

Governing Board
Menifee Union School District
Menifee, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee Union School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Menifee Union School District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

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

Governing Board
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 Menifee Union School District's major Federal programs for the year ended June 30, 2019. Menifee Union School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Menifee Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
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 as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Menifee Union School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Menifee Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Menifee Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Menifee Union School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Menifee Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	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
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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

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

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District did not have expenditures related to the California Energy Jobs Act, therefore, we did not perform any related procedures.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MENIFEE UNION SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 & 10.555	Child Nutrition Cluster

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2018-001 Code

4000 State Compliance

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of 116 students for Free and Reduce students on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by 279, resulting in a decrease of approximately $59,339 in LCFF funding.

Context

The condition was determine through a selection of students from Form 1.18 based on the criteria as stated on the *Standards and Procedures for Audits of California K-12 Local Educations Agencies 2017-2018* Section 19849(a)(2): “Select a representative sample to achieve a high level of assurance, from students that are only Free and Reduced eligible as identified under the “Free and Reduced” column and verify there is supporting documentation that indicates the student was eligible for the designation.”

The auditor selected a sample of 50 students and obtained student records to support the Free and Reduced designation. Upon review of student records, we found seven students who were noted as Free and Reduced status; however, the students were note as paid in the system. The auditor inquired further with the District and determined that the CALPADS data was not updated to reflect students who had been reclassified during the year. The auditor requested that the District identify all remaining students whose status should have been changed to reflect the reclassification from Free and Reduced. The auditor obtained this list and noted 279 students whose status should have been changed in the CALPADs from free and Reduced to another designation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Effect

The District does not appear to be in compliance with *Education Code* Section 42238.02(b)(4). In addition, the District appears to be over claiming the total Free and Reduced designated pupils by 279 students for a reduction in funding of approximately $59,339.

School	Enrollment Count	Certified Total Unduplicated Count	Adjusted Based on Eligibility for FRPM	Adjusted Total Unduplicated Count	Adjusted Total Enrollment Count
Bell Mountain Middle	1,245	586	(52)	534	1,245
Callie Kirkpatrick Elementary	692	323	(27)	296	692
Chester W. Morrison Elementary	422	227	(13)	214	422
Evans Ranch Elementary	658	368	(19)	349	658
Freedom Crest Elementary	727	417	(13)	404	727
Hans Christensen Middle	781	554	(24)	530	781
Harvest Hill S.T.E.A.M. Academy	599	244	(14)	230	599
Herk Bouris Elementary	964	400	(17)	383	964
Menifee Valley Middle	1,169	616	(36)	580	1,169
NPS School Group for Menifee Union Elementary	11	2	-	2	11
Oak Meadows Elementary	899	397	(26)	371	899
Quail Valley Elementary	519	446	(14)	432	519
Ridgemoor Elementary	639	350	(14)	336	639
Southshore Elementary	793	278	(10)	268	793
	10,118	5,208	(279)	4,929	10,118

Cause

It appears that the condition identified has materialized as a result of the CALPADS system not being updated properly to reflect the change in designation of Free and Reduced students.

Recommendation

The District should ensure that students Free and Reduced meal applications properly reflect their designation in CALPADS by updating the students who have changed designations throughout the year.

Corrective Action Plan

The District will update CALPADS throughout the year to ensure that the students' designation is accurately reflected in the system and matches the Free and Reduced meal application status.

Current Status

Implemented