



Financial Statements
June 30, 2021

Hemet Unified School District



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Independent Auditor's Report

To the Board of Education
Hemet Unified School District
Hemet, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hemet Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and Note 19 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 85, schedule of changes in the District's total OPEB liability and related ratios on page 86, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 87, schedule of the District's proportionate share of the net pension liability on pages 88 and 89, and schedule of District contributions on pages 90 and 91, 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 District's financial statements. The combining non-major governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 6, 2021



Christi Barrett, Ph.D.
Superintendent

Darrin Watters
Deputy Superintendent
Tracy Chambers
Assistant Superintendent
Derek Jindra, Ed.D.
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This section of Hemet Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. 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 District and its component units using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No 34.

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

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

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

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

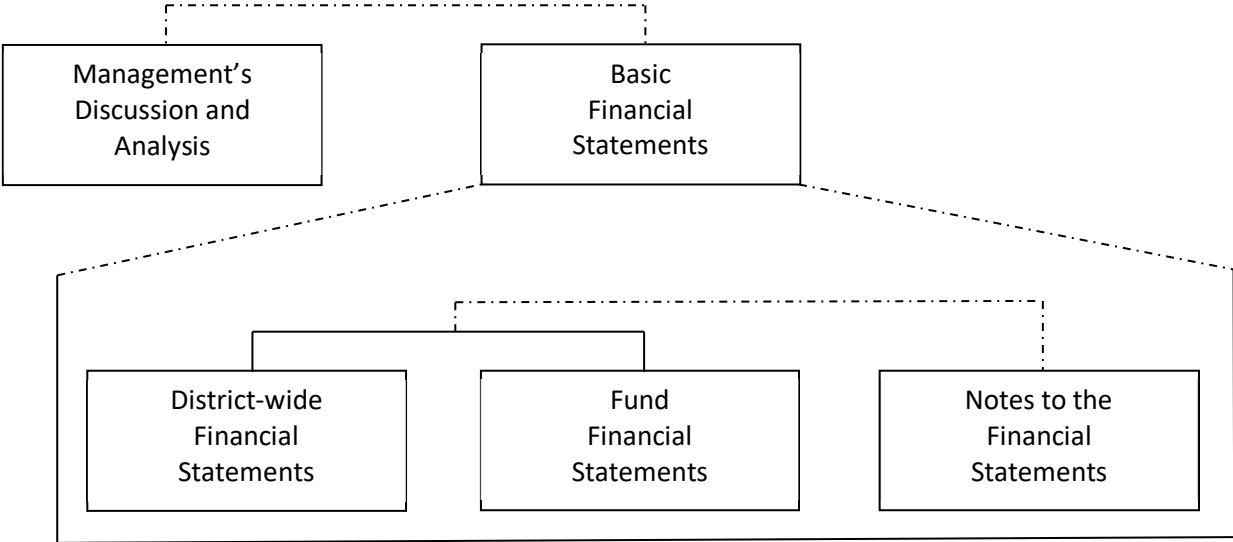
The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Hemet Unified School District.

Figure 1

Organization of Hemet Unified School District’s Annual Financial Report



FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Total net position increased by \$9,162,652 over the prior year for a new net position of \$39,635,489.
- Revenues, transfers in, and other financing sources for all funds, including bond issuances, totaled \$392,780,543 and \$14,900,488, for governmental activities and business-type activities, respectively. Expenses, transfers out and other uses totaled \$389,155,207 and \$9,688,485, for governmental activities and business-type activities, respectively.
- The General Fund audited ending balance totaled \$83,054,108. This represents an increase of \$35,721,624 from the prior year.
- New General Obligation Bonds of \$26,350,000 and General Obligation Refunding Bonds of \$7,940,000 were issued in 2020-2021.
- The District filed a positive status with both its First and Second Interim reports in 2020-2021.

DISTRICT-WIDE STATEMENTS

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, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as certificates of participation, finance these activities.

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's transportation operations are included in this category.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - 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.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position and Statement of Revenues, Expenses, and Changes in 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The total net position was \$39,635,489 for the fiscal year ended June 30, 2021. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental and business-type activities.

Hemet Unified School District
Management's Discussion and Analysis
June 30, 2021

Table 1

	Governmental Activities		Business-Type Activities		Total	
	2021	2020 (as restated)	2021	2020	2021	2020 (as restated)
	Assets					
Current and other assets	\$207,674,068	\$144,110,557	\$ 14,297,380	\$ 11,771,750	\$221,971,448	\$155,882,307
Capital assets	430,833,039	418,697,677	9,793,838	7,384,312	440,626,877	426,081,989
Total assets	638,507,107	562,808,234	24,091,218	19,156,062	662,598,325	581,964,296
Deferred outflows of resources	83,510,348	90,673,696	3,030,604	6,115,716	86,540,952	96,789,412
Liabilities						
Current liabilities	40,811,677	22,558,969	699,139	226,068	41,510,816	22,785,037
Long-term liabilities	627,920,594	578,727,583	25,300,940	27,105,813	653,221,534	605,833,396
Total liabilities	668,732,271	601,286,552	26,000,079	27,331,881	694,732,350	628,618,433
Deferred inflows of resources	14,050,579	18,991,340	720,859	671,098	14,771,438	19,662,438
Net Position						
Net investment in capital assets	217,662,990	213,489,929	8,780,624	5,356,738	226,443,614	218,846,667
Restricted	47,769,670	37,403,594	-	-	47,769,670	37,403,594
Unrestricted	(226,198,055)	(217,689,485)	(8,379,740)	(8,087,939)	(234,577,795)	(225,777,424)
Total net position	\$ 39,234,605	\$ 33,204,038	\$ 400,884	\$ (2,731,201)	\$ 39,635,489	\$ 30,472,837

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement for the year.

Table 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020*	2021	2020	2021	2020*
Revenues						
Program revenues						
Charges for services	\$ 2,730,705	\$ 2,674,793	\$ 13,875,879	\$ 20,780,756	\$ 16,606,584	\$ 23,455,549
Operating grants and contributions	59,468,536	68,654,222	990,073	992,404	60,458,609	69,646,626
General revenues						
Federal and State aid not restricted	211,072,026	209,195,983	-	-	211,072,026	209,195,983
Property taxes	58,298,077	54,440,010	-	-	58,298,077	54,440,010
Other general revenues	61,211,199	7,452,110	34,536	95,279	61,245,735	7,547,389
Total revenues	<u>392,780,543</u>	<u>342,417,118</u>	<u>14,900,488</u>	<u>21,868,439</u>	<u>407,681,031</u>	<u>364,285,557</u>
Expenses						
Instruction-related	255,927,638	253,913,204	-	-	255,927,638	253,913,204
Pupil services	46,127,003	50,371,411	-	-	46,127,003	50,371,411
Administration	37,430,964	23,743,216	-	-	37,430,964	23,743,216
Plant services	26,708,782	30,267,980	-	-	26,708,782	30,267,980
All other services	22,960,820	12,559,785	9,688,485	18,649,622	32,649,305	31,209,407
Total expenses	<u>389,155,207</u>	<u>370,855,596</u>	<u>9,688,485</u>	<u>18,649,622</u>	<u>398,843,692</u>	<u>389,505,218</u>
Transfers	2,405,231	5,695,824	(2,079,918)	(6,395,824)	325,313	(700,000)
Change in net position	<u>\$ 6,030,567</u>	<u>\$(22,742,654)</u>	<u>\$ 3,132,085</u>	<u>\$ (3,177,007)</u>	<u>\$ 9,162,652</u>	<u>\$(25,919,661)</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all governmental activities in 2020-2021 was \$389,155,207. The amount that our taxpayers ultimately financed for these activities through local taxes was \$58,298,077. The remaining cost was paid by those who benefited from the programs \$2,730,705 or by other governments and organizations who subsidized certain programs with \$59,468,536 in grants and contributions. The remaining “public benefit” portion of our governmental activities were paid with \$211,072,026 in Federal and State aid and \$61,211,199 with other General Fund revenue sources such as interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 255,927,638	\$ 253,913,204	\$(238,322,253)	\$(209,834,541)
Pupil services	46,127,003	50,371,411	(23,330,804)	(29,456,332)
Administration	37,430,964	23,743,216	(29,331,308)	(21,860,646)
Plant services	26,708,782	30,267,980	(21,317,430)	(29,157,223)
All other services	22,960,820	12,559,785	(14,654,171)	(9,217,839)
Total	\$ 389,155,207	\$ 370,855,596	\$(326,955,966)	\$(299,526,581)

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

Upon completion of the 2020-2021 fiscal year, the District's governmental funds reported a combined fund balance of \$160,454,670, an increase of \$46,351,681 from 2019-2020 (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2020 (as restated)	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 47,332,484	\$ 341,095,562	\$ 305,373,938	\$ 83,054,108
Building	24,797,776	26,539,940	12,093,183	39,244,533
Bond Interest and Redemption	16,691,691	26,895,958	23,648,737	19,938,912
Non-Major Governmental	25,281,038	40,992,972	48,056,893	18,217,117
Total	\$ 114,102,989	\$ 435,524,432	\$ 389,172,751	\$ 160,454,670

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 on June 20, 2021. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in this annual financial report on page 85.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$440,626,87 in a broad range of capital assets (net of depreciation), including land, construction, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$14,544,888, or 3.41%, over the prior year (Table 5).

Table 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and construction						
in progress	\$ 47,481,217	\$ 29,469,314	\$ -	\$ -	\$ 47,481,217	\$ 29,469,314
Buildings and						
improvements	374,012,046	379,908,137	-	-	374,012,046	379,908,137
Equipment	9,339,776	9,320,226	9,793,838	7,384,312	19,133,614	16,704,538
	<u>\$ 430,833,039</u>	<u>\$ 418,697,677</u>	<u>\$ 9,793,838</u>	<u>\$ 7,384,312</u>	<u>\$ 440,626,877</u>	<u>\$ 426,081,989</u>

Long-Term Liabilities

At the end of this year, the District had \$653,221,534 in long-term liabilities outstanding versus \$605,833,396 last year, an increase of 7.82%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Long-Term Liabilities						
General obligation bonds	\$198,510,000	\$179,945,000	\$ -	\$ -	\$198,510,000	179,945,000
Certificates of participation	40,720,000	43,244,343	-	-	40,720,000	43,244,343
Unamortized premiums	14,732,263	12,515,407	-	-	14,732,263	12,515,407
Unamortized (discounts)	(55,344)	(62,262)	-	-	(55,344)	(62,262)
Capital leases	-	-	1,013,214	2,027,574	1,013,214	2,027,574
Supplemental early retirement plan	5,720,925	-	-	-	5,720,925	-
Compensated absences	1,621,417	1,517,960	332,607	284,082	1,954,024	1,802,042
Claims liability	8,692,068	10,478,313	-	-	8,692,068	10,478,313
Net OPEB liability	37,091,831	34,126,335	2,645,048	2,615,079	39,736,879	36,741,414
Aggregate net pension liability	<u>320,887,434</u>	<u>296,962,487</u>	<u>21,310,071</u>	<u>22,179,078</u>	<u>342,197,505</u>	<u>319,141,565</u>
Total	<u><u>\$627,920,594</u></u>	<u><u>\$578,727,583</u></u>	<u><u>\$ 25,300,940</u></u>	<u><u>\$ 27,105,813</u></u>	<u><u>\$653,221,534</u></u>	<u><u>\$605,833,396</u></u>

Table 7 lists the District’s 2021-2022 budget assumptions. These assumptions were based on the most current information available to the District at the time the budget was adopted on June 22, 2021. Budgetary goals were developed and prioritized by the District’s leadership team and governing board. Input provided by these two groups was used as the framework to develop the District’s 2021-2022 budget, which includes site and department allocations for both staffing and operating budgets.

Table 7

2021-2022 Budget Assumptions

Cost of Living Adjustment (COLA) (applied to LCFF targeted base)	5.35%
Enrollment (excluding charters)	21,205
Enrollment Growth (Decline)	310
ADA – Average Daily Attendance	18,235
ADA – Funded	20,244
ADA Percentage	86.04%
Salary Increase	1.76%
Step and Column Percent of Salaries	1.56%
Deferred/Routine Maintenance - Percent of Total Expenditures	3.00%
New Schools/(School Closures)	0
Reserve for Economic Uncertainties	5.00%

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need any additional information contact the Deputy Superintendent, at Hemet Unified School District, 1791 West Acacia Avenue, Hemet, California, 92545-3797, or e-mail at: [dwatters@hemetUSD.org](mailto:dwaters@hemetUSD.org).

Hemet Unified School District
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 171,746,556	\$ 13,388,948	\$ 185,135,504
Receivables	32,187,183	2,345,237	34,532,420
Internal balances	1,436,805	(1,436,805)	-
Stores inventories	2,303,524	-	2,303,524
Capital assets not depreciated	47,481,217	-	47,481,217
Capital assets, net of accumulated depreciation	383,351,822	9,793,838	393,145,660
Total assets	<u>638,507,107</u>	<u>24,091,218</u>	<u>662,598,325</u>
Deferred Outflows of Resources			
Deferred charge on refunding	116,724	-	116,724
Deferred outflows of resources related to OPEB	2,252,125	24,463	2,276,588
Deferred outflows of resources related to pensions	81,141,499	3,006,141	84,147,640
Total deferred outflows of resources	<u>83,510,348</u>	<u>3,030,604</u>	<u>86,540,952</u>
Liabilities			
Accounts payable	10,717,367	699,139	11,416,506
Interest payable	3,605,094	-	3,605,094
Unearned revenue	9,749,459	-	9,749,459
Current loans	16,739,757	-	16,739,757
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	12,469,740	373,896	12,843,636
Long-term liabilities other than OPEB and pensions due in more than one year	257,471,589	971,925	258,443,514
Net other postemployment benefits liability (OPEB)	37,091,831	2,645,048	39,736,879
Aggregate net pension liability	320,887,434	21,310,071	342,197,505
Total liabilities	<u>668,732,271</u>	<u>26,000,079</u>	<u>694,732,350</u>

Hemet Unified School District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	\$ 3,191,660	\$ 34,668	\$ 3,226,328
Deferred inflows of resources related to pensions	<u>10,858,919</u>	<u>686,191</u>	<u>11,545,110</u>
Total deferred inflows of resources	<u>14,050,579</u>	<u>720,859</u>	<u>14,771,438</u>
Net Position			
Net investment in capital assets	217,662,990	8,780,624	226,443,614
Restricted for			
Debt service	16,333,823	-	16,333,823
Capital projects	10,773,618	-	10,773,618
Educational programs	14,610,716	-	14,610,716
Other restrictions	6,051,513	-	6,051,513
Unrestricted	<u>(226,198,055)</u>	<u>(8,379,740)</u>	<u>(234,577,795)</u>
Total net position	<u>\$ 39,234,605</u>	<u>\$ 400,884</u>	<u>\$ 39,635,489</u>

Hemet Unified School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions		Business- Type Activities	Total
Governmental Activities						
Instruction	\$ 213,482,103	\$ 14,276	\$ 4,976,856	\$ (208,490,971)	\$ -	\$ (208,490,971)
Instruction-related activities						
Supervision of instruction	16,546,694	8,625	7,546,531	(8,991,538)	-	(8,991,538)
Instructional library, media, and technology	2,245,825	-	86,873	(2,158,952)	-	(2,158,952)
School site administration	23,653,016	923	4,971,301	(18,680,792)	-	(18,680,792)
Pupil services						
Home-to-school transportation	3,616,224	-	-	(3,616,224)	-	(3,616,224)
Food services	15,116,483	9,820	12,158,918	(2,947,745)	-	(2,947,745)
All other pupil services	27,394,296	586	10,626,875	(16,766,835)	-	(16,766,835)
Administration						
Data processing	8,176,353	88	2,338,001	(5,838,264)	-	(5,838,264)
All other administration	29,254,611	36,767	5,724,800	(23,493,044)	-	(23,493,044)
Plant services	26,708,782	247	5,391,105	(21,317,430)	-	(21,317,430)
Ancillary services	2,008,179	-	22,384	(1,985,795)	-	(1,985,795)
Community services	27,161	-	-	(27,161)	-	(27,161)
Enterprise services	7,836,207	-	4,325,041	(3,511,166)	-	(3,511,166)
Interest on long-term liabilities	3,787,623	-	-	(3,787,623)	-	(3,787,623)
Other outgo	9,301,650	2,659,373	1,299,851	(5,342,426)	-	(5,342,426)
Total governmental activities	\$ 389,155,207	\$ 2,730,705	\$ 59,468,536	(326,955,966)	-	(326,955,966)
Business-Type Activities						
Transportation	9,688,485	13,875,879	990,073	-	5,177,467	5,177,467
Total primary government	\$ 398,843,692	\$ 16,606,584	\$ 60,458,609	(326,955,966)	5,177,467	(321,778,499)

Hemet Unified School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
General Revenues and Subventions						
Property taxes, levied for general purposes				\$ 38,625,369	\$ -	\$ 38,625,369
Property taxes, levied for debt service				15,502,840	-	15,502,840
Taxes levied for other specific purposes				4,169,868	-	4,169,868
Federal and State aid not restricted to specific purposes				211,072,026	-	211,072,026
Interest and investment earnings				486,402	34,536	520,938
Interagency revenues				6,595,156	-	6,595,156
Miscellaneous				54,129,641	-	54,129,641
Subtotal, general revenues				330,581,302	34,536	330,615,838
Transfers				2,405,231	(2,079,918)	325,313
Total general revenues and transfers				332,986,533	(2,045,382)	330,941,151
Change in Net Position				6,030,567	3,132,085	9,162,652
Net Position - Beginning, as restated				33,204,038	(2,731,201)	30,472,837
Net Position - Ending				\$ 39,234,605	\$ 400,884	\$ 39,635,489

Hemet Unified School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 80,433,678	\$ 40,257,464	\$ 19,938,912	\$ 20,731,223	\$ 161,361,277
Receivables	29,677,602	29,129	-	2,477,934	32,184,665
Due from other funds	3,698,347	-	-	198,028	3,896,375
Stores inventories	1,410,285	-	-	893,239	2,303,524
Total assets	\$ 115,219,912	\$ 40,286,593	\$ 19,938,912	\$ 24,300,424	\$ 199,745,841
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 6,093,662	\$ 1,042,060	\$ -	\$ 3,430,129	\$ 10,565,851
Due to other funds	843,466	-	-	1,392,638	2,236,104
Other current liabilities	16,060,000	-	-	679,757	16,739,757
Unearned revenue	9,168,676	-	-	580,783	9,749,459
Total liabilities	32,165,804	1,042,060	-	6,083,307	39,291,171
Fund Balances					
Nonspendable	1,423,055	-	-	857,077	2,280,132
Restricted	14,610,716	39,244,533	19,938,912	16,880,002	90,674,163
Committed	35,038,746	-	-	-	35,038,746
Assigned	16,795,228	-	-	480,038	17,275,266
Unassigned	15,186,363	-	-	-	15,186,363
Total fund balances	83,054,108	39,244,533	19,938,912	18,217,117	160,454,670
Total liabilities and fund balances	\$ 115,219,912	\$ 40,286,593	\$ 19,938,912	\$ 24,300,424	\$ 199,745,841

Hemet Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Funds \$ 160,454,670

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	\$ 681,322,690
Accumulated depreciation is	<u>(250,489,651)</u>

Net capital assets	430,833,039
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In governmental funds, unmatured interest on long-term
 liabilities is recognized in the period when it is due. On the
 government-wide financial statements, unmatured interest on
 long-term liabilities is recognized when it is incurred. (3,605,094)

An internal service fund is used by management to charge the costs
 of the workers' compensation insurance program to the individual
 funds. The assets and liabilities of the internal service fund are
 included with governmental activities. 1,320,747

Deferred outflows of resources represent a consumption of net
 position in a future period and is not reported in the governmental
 funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	116,724
Other postemployment benefits (OPEB)	2,252,125
Net pension liability	<u>81,141,499</u>

Total deferred outflows of resources	83,510,348
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Deferred inflows of resources represent an acquisition of net position
 that applies to a future period and is not reported in the governmental
 funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(3,191,660)
Net pension liability	<u>(10,858,919)</u>

Total deferred inflows of resources	(14,050,579)
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Hemet Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (320,887,434)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(37,091,831)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	\$ (198,510,000)	
Certificates of participation	(40,720,000)	
Premium on issuance of general obligation bonds and certificates of participation	(14,732,263)	
Discount on issuance of general obligation bonds and certificates of participation	55,344	
Compensated absences (vacations)	(1,621,417)	
Supplemental early retirement plan	<u>(5,720,925)</u>	
Total long-term liabilities		<u>(261,249,261)</u>
Total net position - governmental activities		<u>\$ 39,234,605</u>

Hemet Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 236,787,132	\$ -	\$ -	\$ 6,562,801	\$ 243,349,933
Federal sources	44,205,378	-	-	12,179,095	56,384,473
Other State sources	33,919,971	-	160,971	5,574,118	39,655,060
Other local sources	23,302,760	189,940	15,416,532	7,919,958	46,829,190
Total revenues	<u>338,215,241</u>	<u>189,940</u>	<u>15,577,503</u>	<u>32,235,972</u>	<u>386,218,656</u>
Expenditures					
Current					
Instruction	174,254,879	-	-	7,262,652	181,517,531
Instruction-related activities					
Supervision of instruction	14,701,957	-	-	359,697	15,061,654
Instructional library, media, and technology	2,038,612	-	-	-	2,038,612
School site administration	19,549,997	-	-	1,383,758	20,933,755
Pupil services					
Home-to-school transportation	3,616,224	-	-	-	3,616,224
Food services	142,059	-	-	13,347,880	13,489,939
All other pupil services	24,519,685	-	-	238,959	24,758,644
Administration					
Data processing	7,676,042	-	-	-	7,676,042
All other administration	20,057,208	-	-	1,140,080	21,197,288
Plant services	23,080,847	-	-	2,096,295	25,177,142
Ancillary services	1,413,474	-	-	562,186	1,975,660
Community services	27,118	-	-	-	27,118
Other outgo	362,772	-	-	-	362,772
Enterprise services	4,329,363	-	-	-	4,329,363
Facility acquisition and construction	5,696,378	11,468,939	-	12,484,678	29,649,995
Debt service					
Principal	-	-	6,970,000	2,524,343	9,494,343
Interest and other	-	624,244	7,739,859	1,331,598	9,695,701
Total expenditures	<u>301,466,615</u>	<u>12,093,183</u>	<u>14,709,859</u>	<u>42,732,126</u>	<u>371,001,783</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>36,748,626</u>	<u>(11,903,243)</u>	<u>867,644</u>	<u>(10,496,154)</u>	<u>15,216,873</u>

Hemet Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	\$ 2,880,321	\$ -	\$ -	\$ 8,757,000	\$ 11,637,321
Other sources - proceeds and premium on general obligation bonds issuances	-	26,350,000	11,318,455	-	37,668,455
Transfers out	(3,907,323)	-	-	(5,324,767)	(9,232,090)
Other uses - payment to refunded general obligation bonds escrow agent	-	-	(8,938,878)	-	(8,938,878)
Net Financing Sources (Uses)	<u>(1,027,002)</u>	<u>26,350,000</u>	<u>2,379,577</u>	<u>3,432,233</u>	<u>31,134,808</u>
Net Change in Fund Balances	35,721,624	14,446,757	3,247,221	(7,063,921)	46,351,681
Fund Balance - Beginning, as restated	<u>47,332,484</u>	<u>24,797,776</u>	<u>16,691,691</u>	<u>25,281,038</u>	<u>114,102,989</u>
Fund Balance - Ending	<u><u>\$ 83,054,108</u></u>	<u><u>\$ 39,244,533</u></u>	<u><u>\$ 19,938,912</u></u>	<u><u>\$ 18,217,117</u></u>	<u><u>\$ 160,454,670</u></u>

Hemet Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 46,351,681

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

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

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

Capital outlays	\$ 30,375,838
Depreciation expense	<u>(18,240,476)</u>

Net expense adjustment 12,135,362

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

(5,824,382)

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

(26,230,660)

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 net OPEB liability during the year.

(2,915,714)

Hemet Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Proceeds received from general obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	\$ (34,290,000)
Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	47,014
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(3,247,059)
Deferred charge on refunding recognized	(13,670)
Premium amortization	1,030,203
Discount amortization	(6,918)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	15,725,000
Certificates of participation	2,524,343
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(179,111)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	924,478
	<hr/>
Change in net position of governmental activities	<u>\$ 6,030,567</u>

Hemet Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Assets		
Current assets		
Deposits and investments	\$ 13,388,948	\$ 10,385,279
Receivables	2,345,237	2,518
Due from other funds	644,258	102,341
Total current assets	16,378,443	10,490,138
Noncurrent assets		
Capital assets, net of accumulated depreciation	9,793,838	-
Total assets	26,172,281	10,490,138
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	24,463	-
Deferred outflows of resources related to pensions	3,006,141	-
Total deferred outflows of resources	3,030,604	-
Liabilities		
Current liabilities		
Accounts payable	699,139	151,516
Due to other funds	2,081,063	325,807
Current portion of noncurrent liabilities other than OPEB and pensions	373,896	1,330,555
Total current liabilities	3,154,098	1,807,878

Hemet Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Noncurrent liabilities		
Noncurrent liabilities other than OPEB and pensions due in more than one year	\$ 971,925	\$ 7,361,513
Total other postemployment benefits (OPEB) liability	2,645,048	-
Aggregate net pension liability	21,310,071	-
Total noncurrent liabilities	24,927,044	7,361,513
Total liabilities	28,081,142	9,169,391
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	34,668	-
Deferred inflows of resources related to pensions	686,191	-
Total deferred outflows of resources	720,859	-
Net Position		
Net investment in capital assets	8,780,624	-
Restricted for self-insurance	-	\$ 1,320,747
Unrestricted	(8,379,740)	-
Total net position	\$ 400,884	\$ 1,320,747

Hemet Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 11,806,099	\$ -
Charges to other funds and miscellaneous revenues	<u>2,069,780</u>	<u>2,286,789</u>
Total operating revenues	<u>13,875,879</u>	<u>2,286,789</u>
Operating Expenses		
Payroll costs	6,888,262	1,398
Professional and contract services	809,984	1,073,197
Supplies and materials	601,556	-
Facility rental	301,009	-
Depreciation	<u>1,087,674</u>	<u>-</u>
Total operating expenses	<u>9,688,485</u>	<u>1,074,595</u>
Operating Income	<u>4,187,394</u>	<u>1,212,194</u>
Nonoperating Revenues		
State and local grants	990,073	-
Fair market value adjustments	2,677	2,068
Interest income	<u>31,859</u>	<u>35,529</u>
Total nonoperating revenues	<u>1,024,609</u>	<u>37,597</u>
Income before transfers	5,212,003	1,249,791
Transfers out	<u>(2,079,918)</u>	<u>(325,313)</u>
Change in Net Position	3,132,085	924,478
Total Net Position - Beginning	<u>(2,731,201)</u>	<u>396,269</u>
Total Net Position - Ending	<u>\$ 400,884</u>	<u>\$ 1,320,747</u>

Hemet Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Operating Activities		
Cash receipts from customers	\$ 15,804,254	\$ 2,288,857
Other operating cash receipts	7,757,630	-
Cash payments to other suppliers of goods or services	(1,712,549)	(2,657,747)
Cash payments to employees for services	(6,888,262)	(1,398)
Net Change for Operating Activities	<u>14,961,073</u>	<u>(370,288)</u>
Noncapital Financing Activities		
Nonoperating grants received	7,573	-
Transfers to other funds	(2,079,918)	(325,313)
Net Change for Noncapital Financing Activities	<u>(2,072,345)</u>	<u>(325,313)</u>
Capital and Related Financing Activities		
Acquisition of capital assets	(4,005,360)	-
Sale of capital assets	508,160	-
Principal paid on capital debt	(1,014,360)	-
Net Change Capital and Related Financing Activities	<u>(4,511,560)</u>	<u>-</u>
Investing Activities		
Interest on investments	34,536	37,597
Net Change in Cash and Cash Equivalents	8,411,704	(658,004)
Cash and Cash Equivalents, Beginning	<u>4,977,244</u>	<u>11,043,283</u>
Cash and Cash Equivalents, Ending	<u>\$ 13,388,948</u>	<u>\$ 10,385,279</u>

Hemet Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income to Net		
Cash From Operating Activities		
Operating income	\$ 4,187,394	\$ 1,212,194
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	1,087,674	-
Changes in assets and liabilities		
Receivables	4,105,758	24,035
Due from other funds	943,198	(1,741)
Accounts payable	473,071	(144,338)
Due to other funds	837,118	325,807
Noncurrent liabilities	3,326,860	(1,786,245)
Net Cash From (Used for) Operating Activities	\$ 14,961,073	\$ (370,288)

Hemet Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 4,671,118</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 4,671,118</u>

Hemet Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021

	Custodial Funds
Additions	
Special tax assessment	\$ 4,700,000
Interest	38,614
Total additions	4,738,614
Deductions	
Debt service payments	3,854,813
Administrative expense	199,462
Payments to other governments	608,113
Total deductions	4,662,388
Net Change in Fiduciary Net Position	76,226
Net Position - Beginning, as restated	4,594,892
Net Position - Ending	\$ 4,671,118

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Hemet Unified School District (the District) was established on July 1, 1966, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates thirteen elementary schools, two K-8 schools, four middle schools, one 6-12 school, three high schools, one continuation high school, two alternative independent study schools, an adult education school, and one charter school.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units are essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Hemet Unified School District Public Financing Authority (the Authority) and the Hemet Unified School District School Facilities Corporation (the Corporation) financial activity are presented in the financial statements as the Capital Projects Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Certificates of participation and other debt issued by the Authority and the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are prepared for the Authority.

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

Other Related Entity

Charter School The District has approved a Charter for the Western Center Academy Charter School (the Charter School) pursuant to *Education Code* Section 47605. The Charter School is operated by the District, and its financial activities are presented in the Charter Schools Special Revenue Fund.

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 three broad fund categories: governmental, proprietary, 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.

Two funds currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$5,104,083.

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

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund are 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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter Schools Fund** The Charter Schools Fund is used by the District to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing district's General Fund.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for restricted or committed adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).
- **Capital Projects Fund for Blended Component Units** The Capital Projects Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of the principal and interest on bonds issued by Financing Authorities and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the Local Education Agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. These funds of the District account for the financial transactions related to the Transportation activities of the District.
- **Internal Service Fund** Internal service funds may be used to account for goods or services provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self-Insurance program for health and welfare and workers' compensation services that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District does not have any trust funds. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds is Debt Service Fund for Special Tax Bonds.

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. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function, and exclude 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. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business 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 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 internal service fund, and the restrictions on their use.

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

- **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 financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, 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.
- **Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the *Statement of Net Position*. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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 and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type 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.

Accrued Liabilities and Long-Term Liabilities

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

However, claims and judgments and special termination benefits 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, long-term liabilities are reported as liabilities in the applicable governmental activities *Statement of Net Position*. Debt premiums and discounts related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items. The deferred amounts related to pension and OPEB relate to differences between contributions and the District's proportionate share of contributions, differences between expected and actual experiences, and differences between expected and actual earnings on investments.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Current Loans

Current loans consist of amounts outstanding at year end for Tax Revenue and Anticipation Notes. The notes were issued as short-term liabilities to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer/Trustee, which have been set aside to repay the notes.

Fund Balances - Governmental Funds

As of June 30, 2021, 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. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2021. 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 \$47,769,670 of net position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 and after non-operating revenues/expenses in proprietary 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**Implementation of GASB Statement No. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental and a reclassification of agency funds to custodial funds. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 19.

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 171,746,556
Business-type activities	13,388,948
Fiduciary activities	<u>4,671,118</u>
Total deposits and investments	<u><u>\$ 189,806,622</u></u>

Deposits and investments as of June 30, 2021, consisted of the following:

Cash on hand and in banks	\$	1,641,033
Cash with fiscal agent		4,070,959
Cash in revolving		15,310
Investments		<u>184,079,320</u>
Total deposits and investments		<u><u>\$ 189,806,622</u></u>

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.

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 County Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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
Governmental Activities		
Riverside County Investment Pool	\$ 168,714,595	420
Business-Type Activities		
Riverside County Investment Pool	13,388,948	420
Fiduciary Activities		
U.S. Agencies	488,603	1,591
Commercial paper	1,487,174	67
Subtotal	1,975,777	
Total	\$ 184,079,320	

Credit Risk

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

Investment Type	Reported Amount	Minimum Legal Rating	Rating as of Year End	
			Aaa-bf	Aaa
Governmental Activities				
Riverside County Investment Pool	<u>\$ 168,714,595</u>	N/A	<u>\$ 168,714,595</u>	-
Business-Type Activities				
Riverside County Investment Pool	<u>13,388,948</u>	N/A	<u>13,388,948</u>	-
Fiduciary Activities				
U.S. Agencies	488,603	N/A	-	488,603
Commercial paper	<u>1,487,174</u>	N/A	-	<u>1,487,174</u>
Subtotal	<u>1,975,777</u>		-	<u>1,975,777</u>
Total	<u><u>\$ 184,079,320</u></u>		<u><u>\$ 182,103,543</u></u>	<u><u>\$ 1,975,777</u></u>

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. All investments of the District other than the investments in commercial paper are exempt. The commercial paper has the limitations of a maximum percentage of portfolio not to exceed 25% and a maximum investment in one issuer of the portfolio not to exceed 10%. The investments in commercial paper do not exceed either of these limitations as of year-end.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance \$4,150,162 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable 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.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Reported Amount	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Fiduciary Activities				
U.S. Agencies	\$ 488,603	\$ -	\$ 488,603	\$ -
Commercial paper	1,487,174	-	1,487,174	-
Total	\$ 1,975,777	\$ -	\$ 1,975,777	\$ -

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

Note 4 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Transportation Enterprise Fund
Federal Government						
Categorical aid	\$ 8,325,787	\$ -	\$ 1,275,887	\$ -	\$ 9,601,674	\$ -
State Government						
LCFF apportionment	14,194,430	-	176,119	-	14,370,549	-
Categorical aid	128,803	-	304,074	-	432,877	-
Lottery	1,397,548	-	48,127	-	1,445,675	-
Local Government						
Interest	40,571	29,129	14,983	2,518	87,201	8,441
Other local sources	5,590,463	-	658,744	-	6,249,207	2,336,796
Total	\$ 29,677,602	\$ 29,129	\$ 2,477,934	\$ 2,518	\$ 32,187,183	\$ 2,345,237

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 24,701,180	\$ 142,627	\$ -	\$ 24,843,807
Construction in progress	4,768,134	21,461,832	(3,592,556)	22,637,410
Total capital assets not being depreciated	29,469,314	21,604,459	(3,592,556)	47,481,217
Capital assets being depreciated				
Buildings and improvements	593,328,777	10,876,574	-	604,205,351
Furniture and equipment	28,148,761	1,487,361	-	29,636,122
Total capital assets being depreciated	621,477,538	12,363,935	-	633,841,473
Total capital assets	650,946,852	33,968,394	(3,592,556)	681,322,690
Accumulated depreciation				
Buildings and improvements	(213,420,640)	(16,772,665)	-	(230,193,305)
Furniture and equipment	(18,828,535)	(1,467,811)	-	(20,296,346)
Total accumulated depreciation	(232,249,175)	(18,240,476)	-	(250,489,651)
Governmental activities capital assets, net	\$ 418,697,677	\$ 15,727,918	\$ (3,592,556)	\$ 430,833,039
Business-Type Activities				
Furniture and equipment	\$ 22,738,827	\$ 4,005,360	\$ (508,160)	\$ 26,236,027
Less accumulated depreciation	(15,354,515)	(1,595,834)	508,160	(16,442,189)
Business-type activities capital assets, net	\$ 7,384,312	\$ 2,409,526	\$ -	\$ 9,793,838
Total	\$ 426,081,989	\$ 18,137,444	\$ (3,592,556)	\$ 440,626,877

Depreciation expense was charged as a direct expense to governmental and business-type functions as follows:

Governmental Activities	
Instruction	\$ 15,066,608
School site administration	492,494
Food services	857,302
All other administration	1,076,187
Plant services	<u>747,885</u>
Total depreciation expenses governmental activities	<u>18,240,476</u>
Business-Type Activities	
Home-to-school transportation	<u>1,595,834</u>
Total depreciation expenses all activities	<u>\$ 19,836,310</u>

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, 2021, between major and non-major governmental funds, and proprietary funds are as follows:

Due To	Due From					Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Transportation Enterprise Fund	
General Fund	\$ -	\$ 1,292,622	\$ 325,807	\$ 1,618,429	\$ 2,079,918	\$ 3,698,347
Non-Major Governmental Funds	198,028	-	-	198,028	-	198,028
Internal Service Fund	1,180	100,016	-	101,196	1,145	102,341
Total governmental activities	199,208	1,392,638	325,807	1,917,653	2,081,063	3,998,716
Transportation Enterprise Fund	644,258	-	-	644,258	-	644,258
Total	<u>\$ 843,466</u>	<u>\$ 1,392,638</u>	<u>\$ 325,807</u>	<u>\$ 2,561,911</u>	<u>\$ 2,081,063</u>	<u>\$ 4,642,974</u>

The balance of \$2,079,818 is due to the Transportation Enterprise Fund from the General Fund for reimbursement of costs.

A balance of \$784,901 is due to the General Fund from the Charter Schools Non-Major Governmental Fund for indirect cost and reimbursement of costs.

A balance of \$498,286 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect costs.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The General Fund transferred to the Charter Schools Non-Major Governmental Fund to cover costs.	\$ 76,785
The General Fund transferred to the Child Development Non-Major Governmental Fund to cover costs.	1,190
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.	3,829,348
The Charter Schools Non-Major Governmental Fund transferred to the General Fund for transportation and special education encroachment.	475,090
The Capital Projects Non-Major Governmental Fund for Blended Component Units transferred to the Capital Facilities Non-Major Governmental Fund for capital projects.	4,849,677
The Transportation Enterprise Fund transferred to the General Fund for administrative fees and to cover District transportation costs.	2,079,918
The Internal Service Fund transferred to the General Fund for other postemployment benefit costs.	<u>325,313</u>
Total	<u><u>\$ 11,637,321</u></u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Transportation Enterprise Fund
Vendor payables	\$ 2,514,636	\$ 40,546	\$ 218,233	\$ 151,516	\$ 2,924,931	\$ 699,139
LCFF apportionment	156,204	-	-	-	156,204	-
Salaries and benefits	2,633,350	-	137,950	-	2,771,300	-
Capital outlay	789,472	1,001,514	3,073,946	-	4,864,932	-
Total	\$ 6,093,662	\$ 1,042,060	\$ 3,430,129	\$ 151,516	\$ 10,717,367	\$ 699,139

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 3,934,115	\$ -	\$ 3,934,115
State categorical aid	5,234,561	580,783	5,815,344
Total	\$ 9,168,676	\$ 580,783	\$ 9,749,459

Note 9 - Tax and Revenue Anticipation Notes

On March 30, 2021, the District issued \$17,470,000 of Tax and Revenue Anticipation Notes bearing interest at 0.16% - 0.26%. The notes were issued to supplement cash flows. Interest and principal were due and payable on December 31, 2021 and January 31, 2022.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2020	Additions	Payments	Outstanding June 30, 2021
03/30/21	0.16%	12/31/21	\$ -	\$ 16,060,000	\$ -	\$ 16,060,000
03/30/21	0.26%	01/31/22	-	1,410,000	(730,243)	679,757
			<u>\$ -</u>	<u>\$ 17,470,000</u>	<u>\$ (730,243)</u>	<u>\$ 16,739,757</u>

Note 10 - Long-Term Liabilities Other than OPEB and Pensions

Summary

A schedule of changes in long-term liabilities other than OPEB and pensions for the year ended June 30, 2021, is shown below:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
Governmental Activities					
General obligation bonds	\$ 179,945,000	\$ 34,290,000	\$ (15,725,000)	\$ 198,510,000	\$ 7,685,000
Certificates of participation	43,244,343	-	(2,524,343)	40,720,000	2,310,000
Unamortized debt premiums	12,515,407	3,247,059	(1,030,203)	14,732,263	-
Unamortized debt discounts	(62,262)	-	6,918	(55,344)	-
Supplemental early retirement plan	-	5,720,925	-	5,720,925	1,144,185
Compensated absences	1,517,960	103,457	-	1,621,417	-
Claims liability	10,478,313	-	(1,786,245)	8,692,068	1,330,555
Subtotal	<u>247,638,761</u>	<u>43,361,441</u>	<u>(21,058,873)</u>	<u>269,941,329</u>	<u>12,469,740</u>
Business-Type Activities					
Capital leases	2,027,574	-	(1,014,360)	1,013,214	373,896
Compensated absences	284,082	48,525	-	332,607	-
Subtotal	<u>2,311,656</u>	<u>48,525</u>	<u>(1,014,360)</u>	<u>1,345,821</u>	<u>373,896</u>
Total	<u>\$ 249,950,417</u>	<u>\$ 43,409,966</u>	<u>\$ (22,073,233)</u>	<u>\$ 271,287,150</u>	<u>\$ 12,843,636</u>

Payments on general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the certificates of participation are made by the Debt Service Fund for Blended Component Units. Payments for capital leases are made by the Transportation Enterprise Fund. Payments on the supplemental early retirement plan are made by the General Fund. The compensated absences is to be paid by the General Fund, Charter School Fund, Adult Education Fund, Child Development Fund, Cafeteria Fund, and the Transportation Enterprise Fund. The claims liability is to be paid by the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
07/28/10	08/01/26	3.50% - 4.50%	\$ 18,740,000	\$ 10,025,000	\$ -	\$ (10,025,000)	\$ -
07/18/12	08/01/28	1.25%-4.00%	21,260,000	13,170,000	-	(1,550,000)	11,620,000
12/16/14	08/01/38	3.00% - 5.00%	93,170,000	81,325,000	-	(3,070,000)	78,255,000
05/19/15	08/01/40	3.13% - 5.00%	49,000,000	47,925,000	-	(560,000)	47,365,000
02/26/19	08/01/46	2.25% - 5.00%	27,500,000	27,500,000	-	(520,000)	26,980,000
07/15/20	08/01/46	2.00% - 5.00%	26,500,000	-	26,500,000	-	26,500,000
07/15/20	08/01/26	5.00%	7,790,000	-	7,790,000	-	7,790,000
				<u>\$ 179,945,000</u>	<u>\$ 34,290,000</u>	<u>\$ (15,725,000)</u>	<u>\$ 198,510,000</u>

The outstanding certificates of participation debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Certificates of Participation Outstanding July 1, 2020	Issued	Redeemed	Certificates of Participation Outstanding June 30, 2021
12/16/05	12/27/20	N/A	\$ 5,000,000	\$ 334,343	\$ -	\$ (334,343)	\$ -
09/30/15	10/01/28	2.00% - 5.00%	16,690,000	12,280,000	-	(1,215,000)	11,065,000
09/30/16	10/01/34	3.00% - 5.00%	23,965,000	23,965,000	-	-	23,965,000
09/30/16	10/01/23	1.59% - 2.74%	6,225,000	3,740,000	-	(975,000)	2,765,000
11/06/19	10/01/31	3.00% - 4.00%	2,925,000	2,925,000	-	-	2,925,000
				<u>\$ 43,244,343</u>	<u>\$ -</u>	<u>\$ (2,524,343)</u>	<u>\$ 40,720,000</u>

Debt Service Requirements to Maturity

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2022	\$ 7,685,000	\$ 7,496,157	\$ 15,181,157
2023	7,500,000	7,158,970	14,658,970
2024	7,520,000	6,824,588	14,344,588
2025	8,040,000	6,489,751	14,529,751
2026	8,270,000	6,149,332	14,419,332
2027-2031	40,185,000	26,339,025	66,524,025
2032-2036	46,475,000	18,089,188	64,564,188
2037-2041	47,160,000	8,098,531	55,258,531
2042-2046	20,365,000	2,623,547	22,988,547
2047	5,310,000	86,063	5,396,063
Total	<u>\$ 198,510,000</u>	<u>\$ 89,355,152</u>	<u>\$ 287,865,152</u>

The current interest certificates of participation mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2022	\$ 2,310,000	\$ 1,606,092	\$ 3,916,092
2023	2,465,000	1,528,237	3,993,237
2024	2,625,000	1,431,957	4,056,957
2025	2,820,000	1,313,063	4,133,063
2026	3,030,000	1,181,838	4,211,838
2027-2031	15,980,000	3,804,194	19,784,194
2032-2035	11,490,000	815,050	12,305,050
Total	<u>\$ 40,720,000</u>	<u>\$ 11,680,431</u>	<u>\$ 52,400,431</u>

General Obligation Bonds Refunding

On July 15, 2020, the District issued \$7,790,000 of 2020 General Obligation Refunding Bonds. A portion of the bonds were issued to refund certain maturities of the 2010 General Obligation Refunding Bonds. As a result, the outstanding obligation of the general obligation bonds is considered to be defeased and the liability has been removed from the government-wide statement of net position. The refunding resulted in a cumulative cash flow savings of \$871,053 over the life of the new debt and an economic gain of \$(1,710,882) based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.690%.

Capital Leases

The District’s liability on lease agreements with options to purchase is summarized below:

	Business-Type Activities
	Buses
Balance, July 1, 2020	\$ 2,136,833
Additions	-
Payments	(1,065,847)
Balance, June 30, 2021	\$ 1,070,986

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2022	\$ 401,338
2023	267,859
2024	267,859
2025	133,930
Total	1,070,986
Less amount representing interest	(57,772)
Present value of minimum lease payments	\$ 1,013,214

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2021, include the following:

Equipment	\$ 6,184,902
Less accumulated depreciation	<u>(5,171,688)</u>
Total	<u>\$ 1,013,214</u>

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

Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401 A of the Internal Revenue Code. This benefit is paid out annually to the retiree in equal installments annually for a period up to five year. Currently, there are 124 employees participating in the plan and the District’s obligation to those retirees as of June 30, 2021, is \$5,720,925.

Future payments are as follows:

<u>Year Ending June 30,</u>	<u>Annual Payment</u>
2022	\$ 1,144,185
2023	1,144,185
2024	1,144,185
2025	1,144,185
2026	<u>1,144,185</u>
Total	<u>\$ 5,720,925</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the Governmental Activities and the Business-Type Activities at June 30, 2021, amounted to \$1,621,417 and \$332,607, respectively.

Claims Liability

The District has an outstanding long-term liability for claims for the District’s Workers’ Compensation Insurance Program in the amount of \$8,692,068.

Note 11 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows or 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	\$ 35,441,211	\$ 2,252,125	\$ 3,191,660	\$ 2,759,000
Transportation Plan	2,645,048	24,463	34,668	29,969
Medicare Premium Payment (MPP) Program	1,650,620	-	-	206,496
Total	<u>\$ 39,736,879</u>	<u>\$ 2,276,588</u>	<u>\$ 3,226,328</u>	<u>\$ 2,995,465</u>

The details of each plan are as follows:

District and Transportation Plan

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	110
Active employees	<u>2,723</u>
Total	<u><u>2,833</u></u>

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 Hemet Unified 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.

Benefit Payments

The benefit payment requirements of the Plan members and the District are established and may be amended by the District and the Hemet Teachers Association (HTA), the local California School Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, HTA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement date of June 30, 2021, the District paid \$1,050,343 in benefits.

Total OPEB Liability of the District and Transportation

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	4.00 percent for 2021

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2020	\$ 35,297,290
Service cost	2,920,515
Interest	797,112
Changes of assumptions	121,685
Benefit payments	<u>(1,050,343)</u>
Net change in total OPEB liability	<u>2,788,969</u>
Balance, June 30, 2021	<u><u>\$ 38,086,259</u></u>

No changes to benefits noted from the prior evaluation.

Change in assumptions reflect a change in the discount rate from 2.20% in 2020 to 2.16% in 2021.

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (1.16%)	\$ 40,875,630
Current discount rate (2.16%)	38,086,259
1% increase (3.16%)	35,391,460

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	\$ 33,132,277
Current healthcare cost trend rate (4.00%)	38,086,259
1% increase (5.00%)	44,006,253

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

For the year ended June 30, 2021, the District and Transportation recognized OPEB expense of \$2,759,000 and \$29,969, respectively. At June 30, 2021, District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,276,588	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	3,226,328
Total	\$ 2,276,588	\$ 3,226,328

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (67,226)
2023	(67,226)
2024	(67,226)
2025	(67,226)
2026	(67,226)
Thereafter	(613,610)
Total	\$ (949,740)

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, 2019, 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 STRP 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.

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, 2021, the District reported a liability of \$1,650,620 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, was 0.3895%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$206,496.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020 using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

The following presents 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 (1.21%)	\$ 1,825,220
Current discount rate (2.21%)	1,650,620
1% increase (3.21%)	1,502,048

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 1,496,673
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,650,620
1% increase (5.50% Part A and 6.40% Part B)	1,827,842

Note 12 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of \$27,115,000 as of June 30, 2021, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 13 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 12,770	\$ -	\$ -	\$ 2,538	\$ 15,308
Stores inventories	1,410,285	-	-	854,539	2,264,824
Total nonspendable	<u>1,423,055</u>	<u>-</u>	<u>-</u>	<u>857,077</u>	<u>2,280,132</u>
Restricted					
Legally restricted programs	14,610,716	-	-	4,730,766	19,341,482
Capital projects	-	39,244,533	-	12,149,231	51,393,764
Debt services	-	-	19,938,912	5	19,938,917
Total restricted	<u>14,610,716</u>	<u>39,244,533</u>	<u>19,938,912</u>	<u>16,880,002</u>	<u>90,674,163</u>
Committed					
Adult education program	525,586	-	-	-	525,586
Reserve for deficit spending	34,513,160	-	-	-	34,513,160
Total committed	<u>35,038,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,038,746</u>
Assigned					
Furniture and equipment	294,483	-	-	-	294,483
Site donations	790,994	-	-	-	790,994
ROTC	163,479	-	-	-	163,479
Unclaimed property	144,700	-	-	-	144,700
Deferred maintenance projects	106	-	-	-	106
Post retirement benefits	5,103,976	-	-	-	5,103,976
Other	10,297,490	-	-	480,038	10,777,528
Total assigned	<u>16,795,228</u>	<u>-</u>	<u>-</u>	<u>480,038</u>	<u>17,275,266</u>
Unassigned					
Reserve for economic uncertainties	15,186,363	-	-	-	15,186,363
Total	<u>\$ 83,054,108</u>	<u>\$ 39,244,533</u>	<u>\$ 19,938,912</u>	<u>\$ 18,217,117</u>	<u>\$ 160,454,670</u>

Note 14 - Risk Management

Description

The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, vision, dental, disability, and workers' compensation programs are administered by the District. The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance through Southern California Regional Liability Excess Fund Joint Powers Authority for first party damage with coverage up to a maximum of \$250 million, subject to Member Retained Limits ranging from \$250 to \$5,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence with excess liability coverage up to \$24 million per occurrence and \$52 million aggregate, all subject to a \$5,000 Member Retained Limit per occurrence. The District self-insures workers' compensation coverage up to \$1,000,000 per occurrence with excess coverage up to \$10,000,000.

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Southern California Regional Liability Excess Fund (SoCal ReLiEF) 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.

Employee Medical Benefits

The District has contracted with California Schools Employee Benefits Association (CSEBA) to provide employee health benefits. CSEBA is a shared risk pool comprised of Districts state-wide. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

	Workers' Compensation
Liability Balance, July 1, 2019	\$ 9,288,443
Claims and changes in estimates	2,781,179
Claims payments	(1,591,309)
Liability Balance, June 30, 2020	10,478,313
Claims and changes in estimates	48,545
Claims payments	(1,834,790)
Liability Balance, June 30, 2021	\$ 8,692,068
Assets available to pay claims at June 30, 2021	\$ 10,490,138

Note 15 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 216,622,626	\$ 60,505,599	\$ 7,503,194	\$ 33,393,636
CalPERS	125,574,879	23,642,041	4,041,916	27,619,120
Total	\$ 342,197,505	\$ 84,147,640	\$ 11,545,110	\$ 61,012,756

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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$20,184,807.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 216,622,626
State's proportionate share of the net pension liability	111,668,989
Total	\$ 328,291,615

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.2235% and 0.2192%, respectively, resulting in a net increase in the proportionate share of 0.0043%.

For the year ended June 30, 2021, the District recognized pension expense of \$33,393,636. In addition, the District recognized pension expense and revenue of \$15,643,730 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 20,184,807	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	13,669,071	1,394,064
Differences between projected and actual earnings on pension plan investments	5,145,707	-
Differences between expected and actual experience in the measurement of the total pension liability	382,240	6,109,130
Changes of assumptions	21,123,774	-
Total	\$ 60,505,599	\$ 7,503,194

The deferred outflows/(inflows) 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 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
2022	\$ (3,139,880)
2023	1,753,236
2024	3,497,904
2025	3,034,447
Total	\$ 5,145,707

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 9,841,605
2023	7,754,364
2024	7,709,941
2025	1,663,146
2026	257,983
Thereafter	444,852
Total	\$ 27,671,891

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 January 2019 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Fixed income	15%	1.3%
Real estate	13%	3.6%
Private equity	12%	6.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 327,286,613
Current discount rate (7.10%)	216,622,626
1% increase (8.10%)	125,253,921

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports 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

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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	7.00%
Required employee contribution rate	20.70%	20.70%
Required employer contribution rate		

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, 2021, are presented above and the total District contributions were \$12,192,294.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$125,574,879. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.4093% and 0.4157%, respectively, resulting in a net decrease in the proportionate share of 0.0064%.

For the year ended June 30, 2021, the District recognized pension expense of \$27,619,120. At June 30, 2021, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,192,294	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,147,062	4,041,916
Differences between projected and actual earnings on pension plan investments	2,614,069	-
Differences between expected and actual experience in the measurement of the total pension liability	6,228,128	-
Changes of assumptions	460,488	-
Total	\$ 23,642,041	\$ 4,041,916

The deferred outflows/(inflows) 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 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
2022	\$ (978,239)
2023	872,555
2024	1,516,643
2025	1,203,110
Total	\$ 2,614,069

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

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ 4,049,699
2023	1,451,143
2024	(621,860)
2025	(85,220)
Total	\$ 4,793,762

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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 20 years of mortality improvements using Society of Actuaries 90% 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 single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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%)	\$ 180,536,788
Current discount rate (7.15%)	125,574,879
1% increase (8.15%)	79,959,253

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$12,645,189 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 16 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
Entrance Modifications (Multiple Sites - Phase 1)	\$ 94,933	2021-2022
Fruitvale Restroom Relo Replacement	312,862	2021-2022
Generator Upgrades	96,000	2022-2023
Hamilton HS Restroom Relo Addition	329,358	2021-2022
Hemet HS Boiler Replacement	21,000	2022-2023
Hemet HS Cell Tower Modifications	4,000	2021-2022
HVAC Upgrades (Multiple Sites - District Wide)	158,096	2022-2023
IT LCD Project (Multiple Sites - District Wide)	22,413	2021-2022
IT Upgrades (Multiple Sites - District Wide)	92,677	2021-2022
Keyless Entry System Upgrades (Multiple Sites)	12,203	2021-2022
Little Lake Modernization	1,107,207	2022-2023
Maintenance Paving/Slurry Projects (Multiple Sites - District Wide)	424,916	2021-2022
Nutrition Boiler Replacement	70,676	2021-2022
Preschool Playground Modernization (Whittier, JWES, McSweeny)	279,160	2021-2022
Ramona Modernization	978,249	2023-2024
Site Acquisition	25,000	2022-2023
THS Marquee Replacement	52,616	2021-2022
West Valley Cell Tower Modifications	60,175	2021-2022
Winchester Modernization	2,372,981	2021-2022
Total	<u>\$ 6,514,522</u>	

Note 17 - Participation Joint Powers Authority

The District is a member of the California Schools Employee Benefits Association (CSEBA) and the Southern California Regional Liability Excess Fund (SoCal ReLiEF) a joint powers authority (JPA). The relationship between the District and the JPA is such that it is not a component unit 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 JPA and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2021, the District made payments of \$29,286,968 and \$5,184,447 to CSEBA and SoCal ReLiEF, respectively, for its health coverage and property liability.

Note 18 - Subsequent Events

2018 General Obligation Bonds, Series C

On September 15, 2021, the District issued \$35,000,000 in current interest bonds of the Election of 2018 General Obligation Bonds, Series C. The principal payments of the Series C general obligation bonds will begin in 2024, and are to be made annually thereafter, and interest payments are made semi-annually and will begin in 2022. The proceeds from the sale of the bonds will be used to finance the acquisition, construction, modernization, and equipping of school facilities. Interest rates on the bonds range between 2.50% and 5.00%.

General Obligation Refunding Bonds, Series 2021

On September 15, 2021, the District issued \$49,075,000 in current interest bonds of the Election of 2016 General Obligation Bonds, Series 2021. The principal payments of the Series 2021 general obligation bonds will begin in 2023, and are to be made annually thereafter, and interest payments are made semi-annually and will begin in 2022. The refunding bonds will be used to refund certain outstanding bonds from the 2012 and 2014 refunding bonds and to pay costs of issuance. Interest rate on the bonds range between 0.25% and 2.50%.

Note 19 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. Additionally, the District restated its custodial funds beginning net position that were previously reported as liabilities. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance Previously Reported at June 30, 2020	\$ 23,532,210	\$ 112,354,161
Prior Period Adjustment - Implementation of GASB 84		
Reclassification of student activity funds from agency funds to a special revenue fund	1,748,828	1,748,828
Fund Balance Restated at July 1, 2020	\$ 25,281,038	\$ 114,102,989
The restatement of net position is identified as follows:		
Custodial Funds		
Beginning Net Position Fiduciary Funds Reported at June 30, 2020		\$ -
Reclassification of agency funds to custodial funds		4,594,892
Net Position Restated at July 1, 2020		\$ 4,594,892
Governmental Activities		
Beginning Net Position Governmental Activities as Previously Reported at June 30, 2020		\$ 31,455,210
Reclassification of student activity funds from agency funds to a special revenue fund		1,748,828
Net Position Restated at July 1, 2020		\$ 33,204,038



Required Supplementary Information
June 30, 2021

Hemet Unified School District

Hemet Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 214,409,865	\$ 234,010,542	\$ 236,787,132	\$ 2,776,590
Federal sources ²	24,929,115	75,527,828	44,205,378	(31,322,450)
Other State sources ²	25,263,116	41,928,794	33,919,971	(8,008,823)
Other local sources	19,701,320	19,308,255	23,302,760	3,994,505
Total revenues ¹	<u>284,303,416</u>	<u>370,775,419</u>	<u>338,215,241</u>	<u>(32,560,178)</u>
Expenditures				
Current				
Certificated salaries	124,970,783	124,713,891	123,902,334	811,557
Classified salaries	48,297,403	47,197,338	47,483,426	(286,088)
Employee benefits	70,962,107	69,076,247	68,516,537	559,710
Books and supplies	11,040,591	21,311,164	21,961,998	(650,834)
Services and operating expenditures	37,130,109	35,439,310	32,274,120	3,165,190
Other outgo	1,117,927	1,170,020	1,281,513	(111,493)
Capital outlay	1,681,555	6,749,747	6,046,687	703,060
Debt service				
Debt service - principal	2,236,351	2,272,335	-	2,272,335
Debt service - interest and other	1,574,057	1,574,057	-	1,574,057
Total expenditures ¹	<u>299,010,883</u>	<u>309,504,109</u>	<u>301,466,615</u>	<u>8,037,494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,707,467)</u>	<u>61,271,310</u>	<u>36,748,626</u>	<u>(24,522,684)</u>
Other Financing Sources (Uses)				
Transfers in	5,809,656	2,853,661	2,880,321	26,660
Transfers out	(3,622,000)	(1,329,503)	(3,907,323)	(2,577,820)
Net financing sources (uses)	<u>2,187,656</u>	<u>1,524,158</u>	<u>(1,027,002)</u>	<u>(2,551,160)</u>
Net Change in Fund Balances	(12,519,811)	62,795,468	35,721,624	(27,073,844)
Fund Balance - Beginning	47,332,484	47,332,484	47,332,484	-
Fund Balance - Ending	<u>\$ 34,812,673</u>	<u>\$ 110,127,952</u>	<u>\$ 83,054,108</u>	<u>\$ (27,073,844)</u>

- 1 Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.
- 2 Revenues received for CARES Act (COVID-19) were included in the adopted budget, unspent funds were recorded as unearned revenue in accordance with Generally Accepted Accounting Principles (GAAP).

Hemet Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 2,920,515	\$ 3,189,197	\$ 2,958,458	\$ 2,879,278
Interest	797,112	1,222,862	1,088,299	1,068,087
Difference between expected and actual experience	-	(3,722,688)	-	-
Changes of assumptions	121,685	1,806,063	755,071	-
Benefit payments	<u>(1,050,343)</u>	<u>(1,084,900)</u>	<u>(1,060,211)</u>	<u>(1,019,434)</u>
Net change in total OPEB liability	2,788,969	1,410,534	3,741,617	2,927,931
Total OPEB Liability - Beginning	<u>35,297,290</u>	<u>33,886,756</u>	<u>30,145,139</u>	<u>27,217,208</u>
Total OPEB Liability - Ending	<u>\$ 38,086,259</u>	<u>\$ 35,297,290</u>	<u>\$ 33,886,756</u>	<u>\$ 30,145,139</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Hemet Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.3895%	0.3878%	0.3887%	0.3691%
Proportionate share of the net OPEB liability	\$ 1,650,620	\$ 1,444,124	\$ 1,487,816	\$ 1,552,626
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Hemet Unified School District

Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS					
Proportion of the net pension liability	0.2235%	0.2192%	0.2166%	0.2038%	0.2081%
Proportionate share of the net pension liability	\$ 216,622,626	\$ 197,984,969	\$ 199,031,497	\$ 188,518,139	\$ 168,316,604
State's proportionate share of the net pension liability	111,668,989	108,014,018	113,954,840	111,525,738	95,819,640
Total	<u>\$ 328,291,615</u>	<u>\$ 305,998,987</u>	<u>\$ 312,986,337</u>	<u>\$ 300,043,877</u>	<u>\$ 264,136,244</u>
Covered payroll	<u>\$ 123,919,474</u>	<u>\$ 121,734,902</u>	<u>\$ 117,924,823</u>	<u>\$ 110,506,645</u>	<u>\$ 104,777,884</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>174.81%</u>	<u>162.64%</u>	<u>168.78%</u>	<u>170.59%</u>	<u>160.64%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
CalPERS					
Proportion of the net pension liability	0.4093%	0.4157%	0.4001%	0.3950%	0.3874%
Proportionate share of the net pension liability	\$ 125,574,879	\$ 121,156,596	\$ 106,672,428	\$ 94,289,877	\$ 76,508,391
Covered payroll	\$ 59,079,535	\$ 59,091,651	\$ 65,038,729	\$ 54,065,452	\$ 66,483,861
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>212.55%</u>	<u>205.03%</u>	<u>164.01%</u>	<u>174.40%</u>	<u>115.08%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

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

Hemet Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2016</u>	<u>2015</u>
CaSTRS		
Proportion of the net pension liability	0.2040%	0.1826%
Proportionate share of the net pension liability	\$ 137,370,181	\$ 106,695,256
State's proportionate share of the net pension liability	72,653,682	64,427,202
Total	<u>\$ 210,023,863</u>	<u>\$ 171,122,458</u>
Covered payroll	<u>\$ 94,422,286</u>	<u>\$ 101,633,888</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>145.48%</u>	<u>104.98%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2015	June 30, 2014
CaPERS		
Proportion of the net pension liability	0.3753%	0.3178%
Proportionate share of the net pension liability	\$ 55,315,901	\$ 40,039,851
Covered payroll	<u>\$ 41,568,601</u>	<u>\$ 42,763,912</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>133.07%</u>	<u>93.63%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2015	June 30, 2014

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

Hemet Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS					
Contractually required contribution	\$ 20,184,807	\$ 21,190,230	\$ 19,818,442	\$ 17,016,552	\$ 13,901,736
Less contributions in relation to the contractually required contribution	<u>20,184,807</u>	<u>21,190,230</u>	<u>19,818,442</u>	<u>17,016,552</u>	<u>13,901,736</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 124,983,325</u>	<u>\$ 123,919,474</u>	<u>\$ 121,734,902</u>	<u>\$ 117,924,823</u>	<u>\$ 110,506,645</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>
CalPERS					
Contractually required contribution	\$ 12,192,294	\$ 11,651,075	\$ 10,673,134	\$ 10,101,165	\$ 7,508,610
Less contributions in relation to the contractually required contribution	<u>12,192,294</u>	<u>11,651,075</u>	<u>10,673,134</u>	<u>10,101,165</u>	<u>7,508,610</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 58,899,971</u>	<u>\$ 59,079,535</u>	<u>\$ 59,091,651</u>	<u>\$ 65,038,729</u>	<u>\$ 54,065,452</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>

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

Hemet Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2016	2015
CaSTRS		
Contractually required contribution	\$ 11,242,667	\$ 8,384,699
Less contributions in relation to the contractually required contribution	11,242,667	8,384,699
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 104,777,884	\$ 94,422,286
Contributions as a percentage of covered payroll	10.73%	8.88%
CaIPERS		
Contractually required contribution	\$ 7,876,343	\$ 4,893,040
Less contributions in relation to the contractually required contribution	7,876,343	4,893,040
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 66,483,861	\$ 41,568,601
Contributions as a percentage of covered payroll	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

- *Change in Benefit Terms* – There were no changes in benefit terms since the previous valuation for other postemployment benefits.
- *Change of Assumptions* – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. In addition, the discount rate was changed from 2.20% to 2.16%.

Schedule of the District's Proportionate Share of the Net Pension Liability – MPP Program

- *Change in Benefit Terms* – There were no changes in benefits terms since the previous valuation.
- *Change of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% 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.

Change of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



Supplementary Information
June 30, 2021

Hemet Unified School District

Hemet Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education (CDE)			
Child Nutrition Cluster			
School Breakfast Needy	10.553	13526	\$ 2,367,361
National School Lunch	10.555	13523	3,981,458
Food Distribution	10.555	13524	<u>868,254</u>
Total Child Nutrition Cluster			<u>7,217,073</u>
Child and Adult Care Food Program	10.558	13393	3,847,368
Forest Services Schools and Road Cluster			
Forest Reserve Funds	10.665	10044	<u>66,488</u>
Total U.S. Department of Agriculture			<u>11,130,929</u>
U.S. Department of Defense			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	<u>110,051</u>
U.S. Department of Treasury			
Passed Through CDE			
COVID-19 Coronavirus Relief Fund (CRF)	21.019	25516	<u>23,035,939</u>
U.S. Department of Education			
Passed Through Riverside County Special Education Local Plan Area			
Special Education Cluster			
Basic Local Assistance	84.027	13379	3,868,351
Mental Health	84.027A	15197	88,788
Preschool Grants	84.173	13430	76,653
Preschool Staff Development	84.173A	13431	<u>2,513</u>
Total Special Education Cluster			<u>4,036,305</u>
Passed Through CDE			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	9,514,296
School Improvement Funding for LEAs	84.010	15438	<u>207,162</u>
Subtotal			<u>9,721,458</u>

Hemet Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	\$ 624,561
Title III, English Learner Student Program	84.365	14346	219,733
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	591,244
Twenty-First Century Community Learning Centers	84.287	14349	501,125
Career and Technical Education - Basic Grants to States	84.048	14894	213,676
Indian Education	84.060	10011	20,224
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	641,527
COVID-19 Elementary and Secondary School Emergency Relief (ESSER I) Fund	84.425D	15536	1,307,791
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	1,342,728
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	15535	748,254
Subtotal			<u>4,040,300</u>
Student Financial Assistance Cluster			
Federal Work-Study Program	84.033	[2]	<u>56,061</u>
Total U.S. Department of Education			<u>20,024,687</u>
U.S. Department of Health and Human Services			
Passed Through California Department of Health and Human Services			
Child Care and Development Fund Cluster			
COVID-19 Child Care and Development Block Grant	93.575	15555	<u>74,163</u>
Head Start	93.600	10016	<u>1,750,821</u>
Total U.S. Department of Health and Human Services			<u>1,824,984</u>
Total Federal Financial Assistance			<u><u>\$ 56,126,590</u></u>

[1] Pass-Through Entity Identifying Number not available

[2] Direct awards

Organization

The Hemet Unified School District was established on July 1, 1966, and consists of an area comprising approximately 640 square miles. The District operates thirteen elementary schools, two K-8 schools, four middle schools, one 6-12 school, three high schools, one continuation high school, two alternative independent study schools, an adult education school, and one charter school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Stacey Bailey	President	2024
Vic Scavarda	Vice President	2022
Sumanta Chaudhuri Saini	Member	2024
Rob Davis	Member	2022
Megan Haley	Member	2022
Patrick Searl	Member	2024
Horacio "Ross" Valenzuela	Member	2022

ADMINISTRATION

NAME	TITLE
Dr. Christi Barrett	Superintendent
Darrin Watters	Deputy Superintendent, Business Services
Tracy Chambers	Assistant Superintendent, Educational Services
Dr. Jennifer Martin	Assistant Superintendent, Student Services
Dr. Derek Jindra	Assistant Superintendent, Human Resources
Jessica Garcia	Director of Fiscal Services

Hemet Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 8					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied
Grades 9 - 12					
Grade 9	180	-	-	180	Complied
Grade 10	180	-	-	180	Complied
Grade 11	180	-	-	180	Complied
Grade 12	180	-	-	180	Complied

Western Center Academy

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Grades 6 - 8					
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied
Grades 9 - 12					
Grade 9	180	-	-	180	Complied
Grade 10	180	-	-	180	Complied
Grade 11	180	-	-	180	Complied
Grade 12	180	-	-	180	Complied

Hemet Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Hemet Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues ³	\$ 315,893,805	\$ 338,215,241	\$ 293,860,188	\$ 297,404,584
Other sources	4,839,729	2,880,321	7,729,491	5,987,334
Total Revenues and Other Sources	<u>320,733,534</u>	<u>341,095,562</u>	<u>301,589,679</u>	<u>303,391,918</u>
Expenditures ³	368,682,639	301,466,615	289,380,844	291,125,740
Other uses	-	3,907,323	4,212,818	4,401,746
Total Expenditures and Other Uses	<u>368,682,639</u>	<u>305,373,938</u>	<u>293,593,662</u>	<u>295,527,486</u>
Increase/(Decrease) in Fund Balance	<u>(47,949,105)</u>	<u>35,721,624</u>	<u>7,996,017</u>	<u>7,864,432</u>
Ending Fund Balance	<u>\$ 30,000,922</u>	<u>\$ 77,950,027</u>	<u>\$ 42,228,403</u>	<u>\$ 34,232,386</u>
Available Reserves ^{2,3}	<u>\$ 18,434,132</u>	<u>\$ 15,186,363</u>	<u>\$ 34,501,530</u>	<u>\$ 14,227,580</u>
Available Reserves as a Percentage of Total Outgo	<u>5.00%</u>	<u>4.97%</u>	<u>11.75%</u>	<u>4.81%</u>
Long-Term Liabilities ⁴	<u>N/A</u>	<u>\$ 627,920,594</u>	<u>\$ 578,727,583</u>	<u>\$ 573,284,804</u>
K-12 Average Daily Attendance at P-2 ⁵	<u>20,104</u>	<u>20,104</u>	<u>20,104</u>	<u>20,148</u>

The General Fund balance has increased by \$43,717,641 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$47,949,105 (61.57%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$54,635,790 over the past two years.

Average daily attendance has decreased by 44 over the past two years. No change in ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 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 within the General Fund.

³ Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures.

⁴ Long-term liabilities are related to governmental activities and do not include business-type activities.

⁵ Excludes charter school ADA.

Hemet Unified School District
Schedule of Charter Schools
Year Ended June 30, 2021

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Western Center Academy	1144	Yes

Hemet Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
Assets					
Deposits and investments	\$ 1,531,946	\$ 2,373,981	\$ 191,161	\$ 1,034,137	\$ 389,399
Receivables	-	606,973	-	8,971	1,339,601
Due from other funds	-	172,375	23,942	1,190	521
Stores inventories	38,702	-	-	-	854,537
Total assets	\$ 1,570,648	\$ 3,153,329	\$ 215,103	\$ 1,044,298	\$ 2,584,058
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 128,044	\$ 15,258	\$ 19,811	\$ 163,323
Due to other funds	-	784,901	102,137	7,277	498,302
Other current liabilities	-	679,757	-	-	-
Unearned revenue	-	108,206	-	472,577	-
Total liabilities	-	1,700,908	117,395	499,665	661,625
Fund Balances					
Nonspendable	-	-	-	-	857,077
Restricted	1,570,648	1,452,421	97,708	544,633	1,065,356
Assigned	-	-	-	-	-
Total fund balances	1,570,648	1,452,421	97,708	544,633	1,922,433
Total liabilities and fund balances	\$ 1,570,648	\$ 3,153,329	\$ 215,103	\$ 1,044,298	\$ 2,584,058

Hemet Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 13,354,943	\$ 480,038	\$ 1,375,613	\$ 5	\$ 20,731,223
Receivables	522,389	-	-	-	2,477,934
Due from other funds	-	-	-	-	198,028
Stores inventories	-	-	-	-	893,239
Total assets	\$ 13,877,332	\$ 480,038	\$ 1,375,613	\$ 5	\$ 24,300,424
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,103,693	\$ -	\$ -	\$ -	\$ 3,430,129
Due to other funds	21	-	-	-	1,392,638
Other current liabilities	-	-	-	-	679,757
Unearned revenue	-	-	-	-	580,783
Total liabilities	3,103,714	-	-	-	6,083,307
Fund Balances					
Nonspendable	-	-	-	-	857,077
Restricted	10,773,618	-	1,375,613	5	16,880,002
Assigned	-	480,038	-	-	480,038
Total fund balances	10,773,618	480,038	1,375,613	5	18,217,117
Total liabilities and fund balances	\$ 13,877,332	\$ 480,038	\$ 1,375,613	\$ 5	\$ 24,300,424

Hemet Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2021

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
Revenues					
Local Control Funding Formula	\$ -	\$ 6,562,801	\$ -	\$ -	\$ -
Federal sources	-	205,451	18,176	94,815	11,860,653
Other State sources	-	1,555,912	762,343	2,713,812	542,051
Other local sources	341,658	540,092	2,318	6,846	13,749
Total revenues	<u>341,658</u>	<u>8,864,256</u>	<u>782,837</u>	<u>2,815,473</u>	<u>12,416,453</u>
Expenditures					
Current					
Instruction	-	4,719,427	366,550	2,176,675	-
Instruction-related activities					
Supervision of instruction	-	64	-	359,633	-
School site administration	-	927,437	286,755	169,566	-
Pupil services					
Food services	-	577	-	-	13,347,303
All other pupil services	-	232,591	-	6,368	-
Administration					
All other administration	-	291,149	31,824	156,015	407,576
Plant services	-	1,771,925	-	37,901	242,032
Ancillary services	519,838	42,348	-	-	-
Facility acquisition and construction	-	-	-	27,079	46,674
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	<u>519,838</u>	<u>7,985,518</u>	<u>685,129</u>	<u>2,933,237</u>	<u>14,043,585</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(178,180)</u>	<u>878,738</u>	<u>97,708</u>	<u>(117,764)</u>	<u>(1,627,132)</u>
Other Financing Sources (Uses)					
Transfers in	-	76,785	-	1,190	-
Transfers out	-	(475,090)	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>(398,305)</u>	<u>-</u>	<u>1,190</u>	<u>-</u>
Net Change in Fund Balances	(178,180)	480,433	97,708	(116,574)	(1,627,132)
Fund Balance - Beginning, as restated	1,748,828	971,988	-	661,207	3,549,565
Fund Balance - Ending	<u>\$ 1,570,648</u>	<u>\$ 1,452,421</u>	<u>\$ 97,708</u>	<u>\$ 544,633</u>	<u>\$ 1,922,433</u>

Hemet Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental
Funds
Year Ended June 30, 2021

	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues					
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ -	\$ 6,562,801
Federal sources	-	-	-	-	12,179,095
Other State sources	-	-	-	-	5,574,118
Other local sources	6,341,711	1,868	671,706	10	7,919,958
Total revenues	<u>6,341,711</u>	<u>1,868</u>	<u>671,706</u>	<u>10</u>	<u>32,235,972</u>
Expenditures					
Current					
Instruction	-	-	-	-	7,262,652
Instruction-related activities					
Supervision of instruction	-	-	-	-	359,697
School site administration	-	-	-	-	1,383,758
Pupil services					
Food services	-	-	-	-	13,347,880
All other pupil services	-	-	-	-	238,959
Administration					
All other administration	253,516	-	-	-	1,140,080
Plant services	-	44,437	-	-	2,096,295
Ancillary services	-	-	-	-	562,186
Facility acquisition and construction	12,410,925	-	-	-	12,484,678
Debt service					
Principal	-	-	-	2,524,343	2,524,343
Interest and other	-	-	-	1,331,598	1,331,598
Total expenditures	<u>12,664,441</u>	<u>44,437</u>	<u>-</u>	<u>3,855,941</u>	<u>42,732,126</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(6,322,730)</u>	<u>(42,569)</u>	<u>671,706</u>	<u>(3,855,931)</u>	<u>(10,496,154)</u>
Other Financing Sources (Uses)					
Transfers in	4,849,677	-	-	3,829,348	8,757,000
Transfers out	-	-	(4,849,677)	-	(5,324,767)
Net Financing Sources (Uses)	<u>4,849,677</u>	<u>-</u>	<u>(4,849,677)</u>	<u>3,829,348</u>	<u>3,432,233</u>
Net Change in Fund Balances	<u>(1,473,053)</u>	<u>(42,569)</u>	<u>(4,177,971)</u>	<u>(26,583)</u>	<u>(7,063,921)</u>
Fund Balance - Beginning	<u>12,246,671</u>	<u>522,607</u>	<u>5,553,584</u>	<u>26,588</u>	<u>25,281,038</u>
Fund Balance - Ending	<u>\$10,773,618</u>	<u>\$ 480,038</u>	<u>\$ 1,375,613</u>	<u>\$ 5</u>	<u>\$ 18,217,117</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in fund balance of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had no food commodities in inventory.

SEFA Reconciliation

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 COVID-19 Child Care and Development Block Grant and FEMA Public Assistance Grant funds have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the General Fund.

	<u>Federal Financial Assistance Listing/Federal CFDA Number</u>	<u>Amount</u>
Description		
Total Federal Revenues reported on the financial statements		\$ 56,384,473
COVID-19 Child Care and Development Block Grant	93.575	(20,652)
FEMA Public Assistance Grant	97.036	(237,231)
Total schedule of expenditures of federal awards		<u>\$ 56,126,590</u>

Local Education Agency Organization Structure

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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 Annual Financial and Budget Report Unaudited Actuals 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 Balance

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



Independent Auditor's Reports
June 30, 2021

Hemet Unified School District



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

To the Board of Education
Hemet Unified School District
Hemet, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hemet Unified School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 6, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and Note 19 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 6, 2021



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

To the Board of Education
Hemet Unified School District
Hemet, California

Report on Compliance for Each Major Federal Program

We have audited Hemet Unified School District’s (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2021. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District's 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, 2021.

Report on Internal Control over Compliance

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

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

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

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

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

Rancho Cucamonga, California
December 6, 2021



Independent Auditor's Report on State Compliance

To the Board of Education
Hemet Unified School District
Hemet, California

Report on State Compliance

We have audited Hemet Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	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
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	Yes

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.

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

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

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

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

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Charter School is classroom-based.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 6, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Hemet Unified School District

Financial Statements

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

Federal Awards

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

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Child Nutrition Cluster	10.553, 10.555
Child and Adult Care Food Program	10.558
COVID-19 Coronavirus Relief Fund (CRF)	20.019
COVID-19 Educational Stabilization Fund (ESF)	84.425C, 84.425D
Dollar threshold used to distinguish between type A and type B programs	\$1,683,798
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

None reported.

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