Financial Statements
June 30, 2020

Hemet Unified School District

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 91, schedule of changes in the District's total OPEB liability and related ratios on page 92, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 93, schedule of the District's proportionate share of the net pension liability on page 94, and schedule of the District contributions on page 95, 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 and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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 11, 2020 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2020

Christi Barrett, Ph.D.
Superintendent

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the 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), as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include 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.

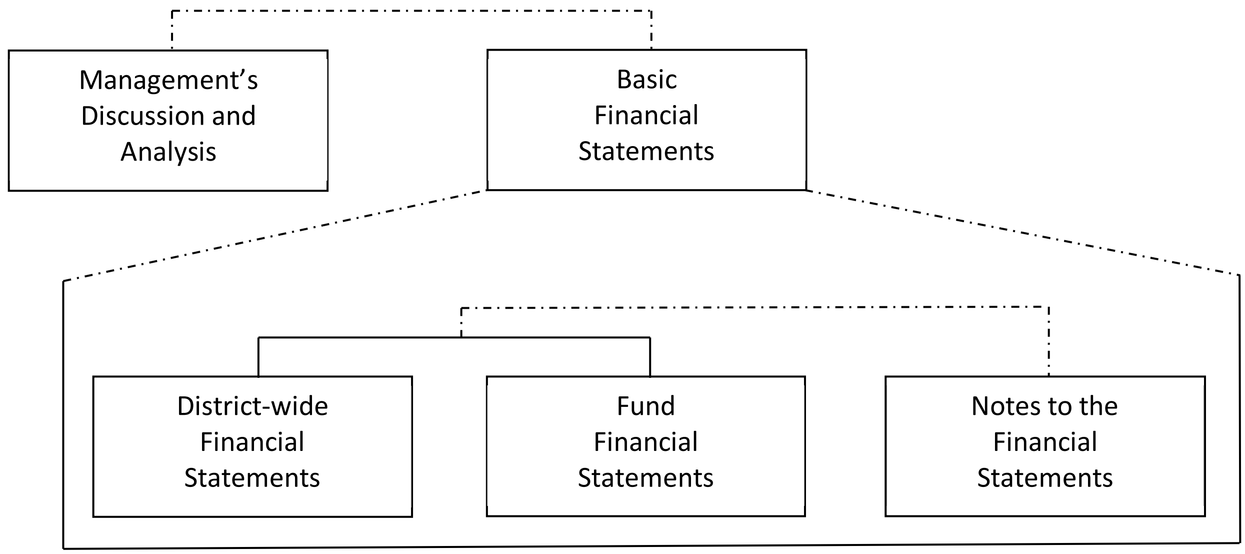
The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

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 decreased by $25,919,661 over the prior year for a new net position of $28,724,009.
- Revenues, transfers in, and other financing sources for all funds, including bond issuances, totaled $364,285,557. Expenses, transfers out and other uses totaled $388,805,218.
- The General Fund audited ending balance, which includes $413,189 and $4,761,458 in the Deferred Maintenance Fund and the Special Reserve for Postemployment Benefits, respectively, totaled $47,332,484. This represents an increase of $7,996,017 from the prior year.
- New Certificates of Participation of $2,925,000 was issued in 2019-2020.
- The District's 2019-2020 P-2 Average Daily Attendance (ADA), excluding charter schools and students in County programs, was reported at 20,220, an increase of 72 over the prior year.
- The District filed a positive status with both its First and Second Interim reports in 2019-2020.

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

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

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be 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, like our funds for associated student body activities. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was $28,724,009 for the fiscal year ended June 30, 2020. 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.

Table 1

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	$142,361,729	$123,618,328	$ 11,771,750	$ 12,916,991	$154,133,479	$136,535,319
Capital assets	418,697,677	430,473,382	7,384,312	7,484,199	426,081,989	437,957,581
Total assets	561,059,406	554,091,710	19,156,062	20,401,190	580,215,468	574,492,900
Deferred outflows of resources	90,673,696	98,841,502	6,115,716	7,131,297	96,789,412	105,972,799
Liabilities						
Current liabilities	22,558,969	12,584,249	226,068	660,636	22,785,037	13,244,885
Long-term liabilities	578,727,583	573,284,804	27,105,813	26,413,886	605,833,396	599,698,690
Total liabilities	601,286,552	585,869,053	27,331,881	27,074,522	628,618,433	612,943,575
Deferred inflows of resources	18,991,340	12,866,295	671,098	12,159	19,662,438	12,878,454
Net Position						
Net investment in capital assets	213,489,929	218,810,311	5,356,738	4,465,726	218,846,667	223,276,037
Restricted	35,654,766	29,792,562	-	-	35,654,766	29,792,562
Unrestricted	(217,689,485)	(194,405,009)	(8,087,939)	(4,019,920)	(225,777,424)	(198,424,929)
Total net position	$ 31,455,210	$ 54,197,864	$ (2,731,201)	$ 445,806	$ 28,724,009	$ 54,643,670

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	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	$ 2,674,793	$ 2,474,751	$ 20,780,756	$ 23,306,047	$ 23,455,549	$ 25,780,798
Operating grants and contributions	68,654,222	73,410,118	992,404	1,278,366	69,646,626	74,688,484
Capital grants and contributions	-	43,484	-	-	-	43,484
General revenues						
Federal and State aid not restricted	209,195,983	205,511,433	-	-	209,195,983	205,511,433
Property taxes	54,440,010	50,013,962	-	-	54,440,010	50,013,962
Other general revenues	7,452,110	11,509,672	95,279	-	7,547,389	11,509,672
Total revenues	342,417,118	342,963,420	21,868,439	24,584,413	364,285,557	367,547,833
Expenses						
Instruction-related	253,913,204	259,586,654	-	-	253,913,204	259,586,654
Pupil services	50,371,411	50,545,033	-	-	50,371,411	50,545,033
Administration	23,743,216	21,555,234	-	-	23,743,216	21,555,234
Plant services	30,267,980	30,232,061	-	-	30,267,980	30,232,061
Other	12,559,785	14,276,106	18,649,622	18,213,508	31,209,407	32,489,614
Total expenses	370,855,596	376,195,088	18,649,622	18,213,508	389,505,218	394,408,596
Transfers	5,695,824	5,181,933	(6,395,824)	(5,181,933)	(700,000)	-
Change in net position	$ (22,742,654)	$ (28,049,735)	$ (3,177,007)	$ 1,188,972	$ (25,919,661)	$ (26,860,763)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all governmental activities in 2019-2020 was $370,855,596. The amount that our taxpayers ultimately financed for these activities through local taxes was $54,440,010. The remaining cost was paid by those who benefited from the programs $2,674,793 or by other governments and organizations who subsidized certain programs with $68,654,222 in grants and contributions. The remaining "public benefit" portion of our governmental activities were paid with $209,195,983 in Federal and State aid and $7,452,110 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	
	2020	2019	2020	2019
Instruction	$ 253,913,204	$ 259,586,654	$ (209,834,541)	$ (210,660,656)
Pupil services	50,371,411	50,545,033	(29,456,332)	(30,148,177)
Administration	23,743,216	21,555,234	(21,860,646)	(19,333,739)
Plant services	30,267,980	30,232,061	(29,157,223)	(28,645,650)
All other services	12,559,785	14,276,106	(9,217,839)	(11,478,513)
Total	$ 370,855,596	$ 376,195,088	$ (299,526,581)	$ (300,266,735)

THE DISTRICT'S FUNDS

Upon completion of the 2019-2020 fiscal year, the District's governmental funds reported a combined fund balance of $112,354,161, an increase of $8,825,222 from 2018-2019 (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	$ 39,336,467	$ 301,589,679	$ 293,593,662	$ 47,332,484
Building	27,577,828	466,148	3,246,200	24,797,776
Bond Interest and Redemption	15,426,403	14,553,100	13,287,812	16,691,691
Non-Major Governmental	21,188,241	39,606,781	37,262,812	23,532,210
Total	$ 103,528,939	$ 356,215,708	$ 347,390,486	$ 112,354,161

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, 2020. (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 91.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $426,081,989 in a broad range of capital assets (net of depreciation), including land, construction, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $11,775,705, or 2.74%, over the prior year (Table 5).

Table 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and construction in progress	$ 29,469,314	$ 26,778,185	$ -	$ -	$ 29,469,314	$ 26,778,185
Buildings and improvements	379,908,137	394,369,626	-	-	379,908,137	394,369,626
Equipment	9,320,226	9,325,571	7,384,312	7,484,199	16,704,538	16,809,770
Total	$ 418,697,677	$ 430,473,382	$ 7,384,312	$ 7,484,199	$ 426,081,989	$ 437,957,581

This year's additions totaled $6,187,105, with the majority of expenses related to Hemet Elementary and Valle Vista Preschool facilities. The District's capital assets additions, deletions, and balances are presented in Note 5 in these financial statements.

Capital projects planned for the 2020-2021 year include Winchester Elementary, Little Lake Elementary, Idyllwild (K-8) Office, and the HVAC at Hemet High School and West Valley High School.

Long-Term Liabilities

At the end of this year, the District had $605,833,396 in long-term liabilities outstanding versus $599,698,690 last year, an increase of 0.95%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Long-Term Liabilities						
General obligation bonds	$179,945,000	$186,050,000	$ -	$ -	$179,945,000	186,050,000
Certificates of participation	43,244,343	46,303,430	-	-	43,244,343	46,303,430
Unamortized premiums (discounts)	12,453,145	12,637,799	-	-	12,453,145	12,637,799
Capital leases	-	-	2,027,574	3,018,473	2,027,574	3,018,473
Compensated absences	1,517,960	1,079,201	284,082	242,847	1,802,042	1,322,048
Claims liability	10,478,313	9,288,443	-	-	10,478,313	9,288,443
Net OPEB liability	34,126,335	32,944,486	2,615,079	2,430,086	36,741,414	35,374,572
Aggregate net pension liability	296,962,487	284,981,445	22,179,078	20,722,480	319,141,565	305,703,925
Total	$578,727,583	$573,284,804	$ 27,105,813	$ 26,413,886	$605,833,396	$599,698,690

Table 7 lists the District's 2020-2021 budget assumptions. These assumptions were based on the most current information available to the District at the time the budget was adopted in June 20, 2020. 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 2020-2021 budget, which includes site and department allocations for both staffing and operating budgets.

Table 7

2020-2021 Budget Assumptions	
Cost of Living Adjustment (COLA) (applied to LCFF targeted base)	-7.92%
Enrollment (excluding charters)	21,644
Enrollment Growth (Decline)	10
ADA – Average Daily Attendance	20,247
ADA – Funded	20,247
ADA Percentage	93.59%
Salary Increase	2.00%
Step and Column Percent of Salaries	1.56%
Deferred/Routine Maintenance - Percent of Total Expenditures	3.00%
New Schools/(School Closures)	(1.00)
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.

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	$ 101,435,811	$ 4,977,244	$ 106,413,055
Receivables	40,082,161	6,450,995	46,533,156
Internal balances	(343,511)	343,511	-
Stores inventories	1,187,268	-	1,187,268
Capital assets not depreciated	29,469,314	-	29,469,314
Capital assets, net of accumulated depreciation	389,228,363	7,384,312	396,612,675
Total assets	561,059,406	19,156,062	580,215,468
Deferred Outflows of Resources			
Deferred charge on refunding	83,380	-	83,380
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	2,029,509	306,348	2,335,857
Deferred outflows of resources related to pensions	88,560,807	5,809,368	94,370,175
Total deferred outflows of resources	90,673,696	6,115,716	96,789,412
Liabilities			
Accounts payable	18,256,448	226,068	18,482,516
Interest payable	3,425,983	-	3,425,983
Unearned revenue	876,538	-	876,538
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	11,094,759	1,014,360	12,109,119
Long-term liabilities other than OPEB and pensions due in more than one year	236,544,002	1,297,296	237,841,298
Net other postemployment benefits liability	34,126,335	2,615,079	36,741,414
Aggregate net pension liability	296,962,487	22,179,078	319,141,565
Total liabilities	601,286,552	27,331,881	628,618,433

	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	$ 3,018,826	$ 455,682	$ 3,474,508
Deferred inflows of resources related to pensions	15,972,514	215,416	16,187,930
Total deferred inflows of resources	18,991,340	671,098	19,662,438
Net Position			
Net investment in capital assets	213,489,929	5,356,738	218,846,667
Restricted for			
Debt service	13,292,296	-	13,292,296
Capital projects	12,246,671	-	12,246,671
Educational programs	5,859,471	-	5,859,471
Other restrictions	4,256,328	-	4,256,328
Unrestricted	(217,689,485)	(8,087,939)	(225,777,424)
Total net position	$ 31,455,210	$ (2,731,201)	$ 28,724,009

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Total
Governmental Activities						
Instruction	$ 210,868,386	$ 2,668	$ 34,038,711	$ (176,827,007)	$ -	$ (176,827,007)
Instruction-related activities						
Supervision of instruction	17,083,114	921	8,049,618	(9,032,575)	-	(9,032,575)
Instructional library, media, and technology	2,097,253	-	38,368	(2,058,885)	-	(2,058,885)
School site administration	23,864,451	66	1,948,311	(21,916,074)	-	(21,916,074)
Pupil services						
Home-to-school transportation	7,936,514	-	177,957	(7,758,557)	-	(7,758,557)
Food services	16,138,603	396,336	13,846,026	(1,896,241)	-	(1,896,241)
All other pupil services	26,296,294	131	6,494,629	(19,801,534)	-	(19,801,534)
Administration						
Data processing	5,365,235	-	13,187	(5,352,048)	-	(5,352,048)
All other administration	18,377,981	32,315	1,837,068	(16,508,598)	-	(16,508,598)
Plant services	30,267,980	5,958	1,104,799	(29,157,223)	-	(29,157,223)
Ancillary services	2,374,704	-	41,467	(2,333,237)	-	(2,333,237)
Community services	92,449	-	-	(92,449)	-	(92,449)
Enterprise services	1,558,215	-	-	(1,558,215)	-	(1,558,215)
Interest on long-term liabilities	8,397,262	-	-	(8,397,262)	-	(8,397,262)
Other outgo	137,155	2,236,398	1,064,081	3,163,324	-	3,163,324
Total governmental activities	$ 370,855,596	$ 2,674,793	$ 68,654,222	(299,526,581)	-	(299,526,581)
Business-Type Activities						
Transportation	18,649,622	20,780,756	992,404	-	3,123,538	3,123,538
Total primary government	$ 389,505,218	$ 23,455,549	$ 69,646,626	(299,526,581)	3,123,538	(296,403,043)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Total
General Revenues and Subventions						
Property taxes, levied for general purposes				$ 36,256,050	$ -	$ 36,256,050
Property taxes, levied for debt service				14,137,977	-	14,137,977
Taxes levied for other specific purposes				4,045,983	-	4,045,983
Federal and State aid not restricted to specific purposes				209,195,983	-	209,195,983
Interest and investment earnings				557,908	95,279	653,187
Interagency revenues				131,445	-	131,445
Miscellaneous				6,762,757	-	6,762,757
Subtotal, general revenues				271,088,103	95,279	271,183,382
Transfers				5,695,824	(6,395,824)	(700,000)
Total general revenues and transfers				276,783,927	(6,300,545)	270,483,382
Change in Net Position				(22,742,654)	(3,177,007)	(25,919,661)
Net Position - Beginning				54,197,864	445,806	54,643,670
Net Position - Ending				$ 31,455,210	$ (2,731,201)	$ 28,724,009

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 26,545,178	$ 26,624,328	$ 16,691,691	$ 20,531,331	$ 90,392,528
Receivables	37,020,785	67,346	-	2,967,477	40,055,608
Due from other funds	1,752,124	-	-	446,153	2,198,277
Stores inventories	265,906	-	-	921,362	1,187,268
Total assets	$ 65,583,993	$ 26,691,674	$ 16,691,691	$ 24,866,323	$ 133,833,681
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 15,602,985	$ 1,893,898	$ -	$ 463,711	$ 17,960,594
Due to other funds	2,028,489	-	-	613,899	2,642,388
Unearned revenue	620,035	-	-	256,503	876,538
Total liabilities	18,251,509	1,893,898	-	1,334,113	21,479,520
Fund Balances					
Nonspendable	278,676	-	-	926,432	1,205,108
Restricted	5,859,471	24,797,776	16,691,691	22,083,171	69,432,109
Assigned	6,692,807	-	-	522,607	7,215,414
Unassigned	34,501,530	-	-	-	34,501,530
Total fund balances	47,332,484	24,797,776	16,691,691	23,532,210	112,354,161
Total liabilities and fund balances	$ 65,583,993	$ 26,691,674	$ 16,691,691	$ 24,866,323	$ 133,833,681

Total Fund Balance - Governmental Funds		$ 112,354,161
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	$ 650,946,852	
Accumulated depreciation is	(232,249,175)	
Net capital assets		418,697,677
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.		(3,425,983)
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.		396,269
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		
Deferred charge on refunding	83,380	
Other postemployment benefits	2,029,509	
Net pension liability	88,560,807	
Total deferred outflows of resources		90,673,696
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	(3,018,826)	
Net pension liability	(15,972,514)	
Total deferred inflows of resources		(18,991,340)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (296,962,487)
The District's net OPEB liability is not due and payable in the current period period, and is not reported as a liability in the funds.		(34,126,335)
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	$ (179,945,000)	
Certificates of participation	(43,244,343)	
Premium on issuance of general obligation bonds and certificates of participation	(12,515,407)	
Discount on issuance of general obligation bonds and certificates of participation	62,262	
Compensated absences (vacations)	(1,517,960)	
Total long-term liabilities		(237,160,448)
Total net position - governmental activities		$ 31,455,210

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	$ 232,038,906	$ -	$ -	$ 6,483,932	$ 238,522,838
Federal sources	15,613,090	-	-	13,523,615	29,136,705
Other State sources	26,860,180	-	159,404	6,509,014	33,528,598
Other local sources	19,348,012	466,148	14,393,696	5,819,428	40,027,284
Total revenues	293,860,188	466,148	14,553,100	32,335,989	341,215,425
Expenditures					
Current					
Instruction	171,218,761	-	-	7,296,744	178,515,505
Instruction-related activities					
Supervision of instruction	15,205,031	-	-	354,845	15,559,876
Instructional library, media, and technology	1,889,975	-	-	-	1,889,975
School site administration	19,835,260	-	-	1,258,199	21,093,459
Pupil services					
Home-to-school transportation	7,936,514	-	-	-	7,936,514
Food services	57,710	-	-	14,429,446	14,487,156
All other pupil services	23,525,419	-	-	263,153	23,788,572
Administration					
Data processing	3,998,566	-	-	5,801	4,004,367
All other administration	15,377,446	-	-	1,070,082	16,447,528
Plant services	26,110,381	-	-	2,113,334	28,223,715
Ancillary services	2,188,424	-	-	112,680	2,301,104
Community services	91,400	-	-	-	91,400
Other outgo	137,155	-	-	-	137,155
Enterprise services	217	-	-	-	217
Facility acquisition and construction	1,419,498	3,246,200	-	1,424,255	6,089,953
Debt service					
Principal	389,087	-	6,105,000	2,060,000	8,554,087
Interest and other	-	-	7,182,812	1,976,884	9,159,696
Total expenditures	289,380,844	3,246,200	13,287,812	32,365,423	338,280,279
Excess (Deficiency) of Revenues Over Expenditures	4,479,344	(2,780,052)	1,265,288	(29,434)	2,935,146

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	$ 7,729,491	$ -	$ -	$ 3,862,818	$ 11,592,309
Other sources - proceeds and premium on certificates of participation issuance	-	-	-	3,407,974	3,407,974
Transfers out	(4,212,818)	-	-	(1,333,667)	(5,546,485)
Other uses - payment to refunded certificates of participation escrow agent	-	-	-	(3,563,722)	(3,563,722)
Net Financing Sources (Uses)	3,516,673	-	-	2,373,403	5,890,076
Net Change in Fund Balances	7,996,017	(2,780,052)	1,265,288	2,343,969	8,825,222
Fund Balance - Beginning	39,336,467	27,577,828	15,426,403	21,188,241	103,528,939
Fund Balance - Ending	$ 47,332,484	$ 24,797,776	$ 16,691,691	$ 23,532,210	$ 112,354,161

Total Net Change in Fund Balances - Governmental Funds		$ 8,825,222
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation expense exceeds capital outlays in the period.		
Capital outlays	$ 6,187,105	
Depreciation expense	(17,962,810)	
Net expense adjustment		(11,775,705)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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 earned and used.		(438,759)
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.		(24,692,350)
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.		(2,846,772)

Proceeds received from the Sale of Certificates of Participation 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.	$ (2,925,000)
Deferred amounts on refunding (the difference between the reacquisition price of 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.	83,380
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(482,974)
Premium amortization	734,221
Discount amortization	(66,593)
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	6,105,000
Certificates of participation	5,984,087
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.	40,148
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.	(1,286,559)
Change in net position of governmental activities	$ (22,742,654)

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Assets		
Current assets		
Deposits and investments	$ 4,977,244	$ 11,043,283
Receivables	6,450,995	26,553
Due from other funds	1,587,456	100,600
Total current assets	13,015,695	11,170,436
Noncurrent assets		
Capital assets, net of accumulated depreciation	7,384,312	-
Total assets	20,400,007	11,170,436
Deferred Outflows of Resources		
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	306,348	-
Deferred outflows of resources related to pensions	5,809,368	-
Total deferred outflows of resources	6,115,716	-
Liabilities		
Current liabilities		
Accounts payable	226,068	295,854
Due to other funds	1,243,945	-
Current portion of noncurrent liabilities other than OPEB and pensions	1,014,360	1,600,416
Total current liabilities	2,484,373	1,896,270

	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	$ 1,297,296	$ 8,877,897
Total other postemployment benefits liability	2,615,079	-
Aggregate net pension liability	22,179,078	-
Total noncurrent liabilities	26,091,453	8,877,897
Total liabilities	28,575,826	10,774,167
Deferred Inflows of Resources		
Deferred inflows of resources related to other postemployment benefits (OPEB) liability	455,682	-
Deferred inflows of resources related to pensions	215,416	-
Total deferred outflows of resources	671,098	-
Net Position		
Net investment in capital assets	5,356,738	-
Unrestricted	(8,087,939)	396,269
Total net position (deficit)	$ (2,731,201)	$ 396,269

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	$ 20,721,830	$ -
Charges to other funds and Miscellaneous revenues	58,926	1,864,903
Total operating revenues	20,780,756	1,864,903
Operating Expenses		
Payroll costs	13,448,108	42,911
Professional and contract services	1,953,340	3,642,713
Supplies and materials	1,555,936	1,037
Facility rental	393,391	-
Depreciation	1,298,847	-
Total operating expenses	18,649,622	3,686,661
Operating Income (loss)	2,131,134	(1,821,758)
Nonoperating Revenues		
State and local grants	992,404	-
Interest income	95,279	185,199
Total nonoperating revenues	1,087,683	185,199
Income (loss) before transfers	3,218,817	(1,636,559)
Transfers in	-	350,000
Transfers out	(6,395,824)	-
Change in Net Position	(3,177,007)	(1,286,559)
Total Net Position - Beginning	445,806	1,682,828
Total Net Position - Ending	$ (2,731,201)	$ 396,269

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Operating Activities		
Cash receipts from customers	$ 21,763,256	$ 1,911,618
Other operating cash receipts	415,744	-
Cash payments to other suppliers of goods or services	(3,902,667)	-
Cash payments to employees for services	(13,448,108)	(2,551,996)
Net Cash From (Used for) Operating Activities	4,828,225	(640,378)
Noncapital Financing Activities		
Nonoperating grants received	9,904	-
Transfers from other funds	-	350,000
Transfers to other funds	(6,395,824)	-
Net Cash From (Used for) Noncapital Financing Activities	(6,385,920)	350,000
Capital and Related Financing Activities		
Acquisition of capital assets	(1,198,960)	-
Principal paid on capital debt	(990,899)	-
Net Cash (Used for) Capital and Related Financing Activities	(2,189,859)	-
Investing Activities		
Interest on investments	95,279	185,199
Net Change in Cash and Cash Equivalents	(3,652,275)	(105,179)
Cash and Cash Equivalents, Beginning	8,629,519	11,148,462
Cash and Cash Equivalents, Ending	$ 4,977,244	$ 11,043,283

	Business-Type Activities - Enterprise Funds Transportation Fund	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities		
Operating income (Loss)	$ 2,131,134	$ (1,821,758)
Adjustments to reconcile operating income (Loss) to net cash from (Used for) operating activities		
Depreciation	1,298,847	-
Changes in assets and liabilities		
Receivables	(2,036,196)	44,395
Due from other fund	(1,246,471)	(46,715)
Accrued liabilities	(393,333)	1,183,700
Due to other fund	775,633	-
Noncurrent liabilities	4,298,611	-
Net Cash From (Used for) Operating Activities	$ 4,828,225	$ (640,378)

	Agency Funds			
	Associated Student Bodies	Debt Service Fund for Special Tax Bonds	Warrant Pass-through Fund	Total Fiduciary Funds
Assets				
Cash and cash equivalents	$ 1,721,871	$ 4,594,892	$ 117,615	$ 6,434,378
Stores inventories	26,957	-	-	26,957
Total assets	$ 1,748,828	$ 4,594,892	$ 117,615	$ 6,461,335
Liabilities				
Accounts payable	$ -	$ -	$ 117,615	$ 117,615
Due to bond holders	-	4,594,892	-	4,594,892
Due to student groups	1,748,828	-	-	1,748,828
Total liabilities	$ 1,748,828	$ 4,594,892	$ 117,615	$ 6,461,335

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 twelve elementary schools, three K-8 schools, four middle schools, four high schools, one continuation school, two alternative independent study schools, an adult 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 is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the 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) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs 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 School 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, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund 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 $5,174,647.

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.

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

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District does not have any trust funds.

The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB), debt service fund for special tax bonds, and warrant pass through fund.

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 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. 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.

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. 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, 2020. 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 $35,654,766 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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

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

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

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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

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

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

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

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.

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

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

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

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

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

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

As a result of the implementation of GASB No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021 All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

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

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

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

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

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

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

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

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	$ 101,435,811
Business-type activities	4,977,244
Fiduciary activities	6,434,378
Total deposits and investments	$ 112,847,433

Deposits and investments as of June 30, 2020, consisted of the following:

Cash on hand and in banks	$ 1,842,068
Cash with fiscal agent	4,155,385
Cash in revolving	17,840
Investments	106,832,140
Total deposits and investments	$ 112,847,433

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			
U.S. Treasuries	$	1,337,320	140
U.S. Agencies		2,254,667	247
Riverside County Investment Pool		95,718,282	409
Subtotal		99,310,269	
Business-Type Activities			
Riverside County Investment Pool		4,976,565	409
Fiduciary Activities			
U.S. Treasuries		208,175	140
U.S. Agencies		567,008	247
Commercial paper		1,652,508	185
Riverside County Investment Pool		117,615	409
Subtotal		2,545,306	
Total	$	106,832,140	

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.

			Rating as of Year End	
Investment Type	Reported Amount	Minimum Legal Rating	Aaa-bf	Aaa
Governmental Activities				
U.S. Treasuries	$ 1,337,320	N/A	$ -	$ 1,337,320
U.S. Agencies	2,254,667	N/A	-	2,254,667
Riverside County Investment Pool	95,718,282	N/A	95,718,282	-
Subtotal	99,310,269		95,718,282	3,591,987
Business-Type Activities				
Riverside County Investment Pool	4,976,565	N/A	4,976,565	-
Fiduciary Activities				
U.S. Treasuries	208,175	N/A	-	208,175
U.S. Agencies	567,008	N/A	-	567,008
Commercial paper	1,652,508	N/A	-	1,652,508
Riverside County Investment Pool	117,615	N/A	117,615	-
Subtotal	2,545,306		117,615	2,427,691
Total	$ 106,832,140		$ 100,812,462	$ 6,019,678

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, 2020, the District's bank balance $3,648,708 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.

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

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
Governmental activities			
U.S. Treasuries	$ 1,337,320	$ 1,337,320	$ -
U.S. Agencies	2,254,667	2,254,667	-
Riverside County Investment Pool	95,718,282	-	95,718,282
Subtotal	99,310,269	3,591,987	95,718,282
Business-type activities			
Riverside County Investment Pool	4,976,565	-	4,976,565
Fiduciary activities			
U.S. Treasuries	208,175	208,175	-
U.S. Agencies	567,008	567,008	-
Commercial paper	1,652,508	1,652,508	-
Riverside County Investment Pool	117,615	-	117,615
Subtotal	2,545,306	2,427,691	117,615
Total	$ 106,832,140	$ 6,019,678	$ 100,812,462

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

Note 4 - Receivables

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Transportation Enterprise Fund
Federal Government						
Categorical aid	$ 5,295,041	$ -	$ 1,510,222	$ -	$ 6,805,263	$ -
State Government						
LCFF apportionment	28,221,771	-	897,146	-	29,118,917	-
Categorical aid	2,272,489	-	478,370	-	2,750,859	-
Lottery	1,041,691	-	34,528	-	1,076,219	-
Local Government						
Interest	87,492	67,346	37,231	26,553	218,622	9,118
Other local sources	102,301	-	9,980	-	112,281	6,441,877
Total	$ 37,020,785	$ 67,346	$ 2,967,477	$ 26,553	$ 40,082,161	$ 6,450,995

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 24,701,180	$ -	$ -	$ 24,701,180
Construction in progress	2,077,005	3,435,223	(744,094)	4,768,134
Total capital assets not being depreciated	26,778,185	3,435,223	(744,094)	29,469,314
Capital assets being depreciated				
Buildings and improvements	591,356,528	2,013,249	(41,000)	593,328,777
Furniture and equipment	26,666,034	1,482,727	-	28,148,761
Total capital assets being depreciated	618,022,562	3,495,976	(41,000)	621,477,538
Total capital assets	644,800,747	6,931,199	(785,094)	650,946,852
Accumulated depreciation				
Buildings and improvements	(196,986,902)	(16,474,738)	41,000	(213,420,640)
Furniture and equipment	(17,340,463)	(1,488,072)	-	(18,828,535)
Total accumulated depreciation	(214,327,365)	(17,962,810)	41,000	(232,249,175)
Governmental activities capital assets, net	$ 430,473,382	$ (11,031,611)	$ (744,094)	$ 418,697,677
Business-Type Activities				
Furniture and equipment	$ 21,539,867	$ 1,198,960	$ -	$ 22,738,827
Less accumulated depreciation	(14,055,668)	(1,298,847)	-	(15,354,515)
Business-type activities capital assets, net	$ 7,484,199	$ (99,887)	$ -	$ 7,384,312
Total	$ 437,957,581	$ (11,131,498)	$ (744,094)	$ 426,081,989

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

Governmental Activities	
Instruction	$ 14,837,256
School site administration	484,997
Food services	844,252
All other administration	1,059,805
Plant services	736,500
Total depreciation expenses governmental activities	17,962,810
Business-Type Activities	
Home-to-school transportation	1,298,847
Total depreciation expenses all activities	$ 19,261,657

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

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

	Due From				
Due To	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Transportation Enterprise Fund	Total
General Fund	$ -	$ 512,017	$ 512,017	$ 1,240,107	$ 1,752,124
Non-Major Governmental Funds	442,363	1,433	443,796	2,357	446,153
Internal Service Fund	103	100,449	100,552	48	100,600
Total Governmental Activities	442,466	613,899	1,056,365	1,242,512	2,298,877
Transportation Enterprise Fund	1,586,023	-	1,586,023	1,433	1,587,456
Total	$ 2,028,489	$ 613,899	$ 2,642,388	$ 1,243,945	$ 3,886,333

A balance of $368,670 is due to the the Charter Non-Major Governmental Fund from the General Fund for In-Lieu final calculation.

The balance of $1,586,023 is due to the Transportation Enterprise Fund from the General Fund for transportation costs.

A balance of $405,275 is due to the General Fund from the Charter School Non-Major Governmental Fund for the reimbursement of costs.

The balance of $1,240,107 is due to the General Fund from the Transportation Enterprise Fund for charge backs.

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, 2020, consisted of the following:

The General Fund transfered to the Adult Education Non-Major Governmental Fund to cover costs.	$ 29,794
The General Fund transfered to the Cafeteria Non-Major Governmental Fund to cover costs.	42,486
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service payments.	3,790,538
The General Fund transferred to the Internal Service Fund to cover costs.	350,000
The Charter School Non-Major Governmental Fund transferred to the General Fund for transportation and sepcial education encroachment.	442,140
The Capital Projects Non-Major Governmental Fund for Blended Component Units transferred to the General Fund for capital projects.	816,490
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the General Fund for Equipment purchase.	75,000
The Debt Service Non-Major Governmental Fund for Blended Component Units transferred to the General Fund for reimbursement of costs.	37
The Transportation Enterprise Fund transferred to the General Fund for administrative fees and to cover District transportation costs.	6,395,824
Total	$ 11,942,309

Note 7 - Accounts Payable

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Transportation Enterprise Fund	Fiduciary Funds
Vendor payables	$ 3,261,623	$ 4,296	$ 394,781	$ 295,854	$ 3,956,554	$ 226,068	$ 117,615
State LCFF apportionment	11,638,332	-		-	11,638,332	-	-
Salaries and benefits	296,230	-	61,437	-	357,667	-	-
Capital outlay	406,800	1,889,602	7,493	-	2,303,895	-	-
Total	$ 15,602,985	$ 1,893,898	$ 463,711	$ 295,854	$ 18,256,448	$ 226,068	$ 117,615

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 410,868	$ 6,394	$ 417,262
State categorical aid	209,167	250,109	459,276
Total	$ 620,035	$ 256,503	$ 876,538

Note 9 - 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, 2020, is shown below:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
Governmental Activities					
General obligation bonds	$ 186,050,000	$ -	$ (6,105,000)	$ 179,945,000	$ 6,970,000
Certificates of participation	46,303,430	2,925,000	(5,984,087)	43,244,343	2,524,343
Unamortized debt premiums	12,766,654	482,974	(734,221)	12,515,407	-
Unamortized debt discounts	(128,855)	-	66,593	(62,262)	-
Compensated absences	1,079,201	438,759	-	1,517,960	-
Claims liability	9,288,443	2,631,870	(1,442,000)	10,478,313	1,600,416
Subtotal	255,358,873	6,478,603	(14,198,715)	247,638,761	11,094,759
Business-Type Activities					
Capital leases	3,018,473	-	(990,899)	2,027,574	1,014,360
Compensated absences	242,847	41,235	-	284,082	-
Subtotal	3,261,320	41,235	(990,899)	2,311,656	1,014,360
Total	$ 258,620,193	$ 6,519,838	$ (15,189,614)	$ 249,950,417	$ 12,109,119

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 the Qualified Zone Academy Bond Program are made by the General Fund. Payments for capital leases are made by the Transportation Enterprise Fund. The accrued vacation is be paid by the General Fund, Charter School Fund, Adult Education Fund, Child Development Fund, Cafeteria Fund, and the Transportation Enterprise Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Redeemed	Bonds Outstanding June 30, 2020
07/28/10	08/01/26	3.50% - 4.50%	$ 18,740,000	$ 11,250,000	$ -	$ (1,225,000)	$ 10,025,000
07/18/12	08/01/28	1.25%-4.00%	21,260,000	14,680,000	-	(1,510,000)	13,170,000
12/16/14	08/01/38	3.00% - 5.00%	93,170,000	84,240,000	-	(2,915,000)	81,325,000
05/19/15	08/01/40	3.13% - 5.00%	49,000,000	48,380,000	-	(455,000)	47,925,000
02/26/19	08/01/46	2.25% - 5.00%	27,500,000	27,500,000	-	-	27,500,000
				$ 186,050,000	$ -	$ (6,105,000)	$ 179,945,000

The outstanding certificates of participation debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Certificates of Participation Outstanding July 1, 2019	Issued	Redeemed	Certificates of Participation Outstanding June 30, 2020
12/16/05	12/27/20	N/A	$ 5,000,000	$ 723,430	$ -	$ (389,087)	$ 334,343
11/21/07	10/01/36	4.00% - 5.00%	4,610,000	3,535,000	-	(3,535,000)	-
09/30/15	10/01/28	2.00% - 5.00%	16,690,000	13,440,000	-	(1,160,000)	12,280,000
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	4,640,000	-	(900,000)	3,740,000
11/06/19	10/01/31	3.00% - 4.00%	2,925,000	-	2,925,000	-	2,925,000
				$ 46,303,430	$ 2,925,000	$ (5,984,087)	$ 43,244,343

Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 6,970,000	$ 6,978,894	$ 13,948,894
2022	7,870,000	6,669,269	14,539,269
2023	7,155,000	6,349,532	13,504,532
2024	7,565,000	6,034,900	13,599,900
2025	7,995,000	5,711,032	13,706,032
2026-2030	39,560,000	23,993,335	63,553,335
2031-2035	39,915,000	16,842,282	56,757,282
2036-2040	43,485,000	7,857,944	51,342,944
2041-2045	14,365,000	2,138,100	16,503,100
2046-2049	5,065,000	206,300	5,271,300
Total	$ 179,945,000	$ 82,781,588	$ 262,726,588

The current interest certificates of participation mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 2,524,343	$ 1,665,941	$ 4,190,284
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
2026-2030	16,135,000	4,499,031	20,634,031
2031-2032	14,365,000	1,302,050	15,667,050
Total	$ 43,244,343	$ 13,346,371	$ 56,590,714

2005 Qualified Zone Academy Bond Certificates of Participation

On December 13, 2005, the District issued $5,000,000 aggregate principal amount of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on December 27, 2020. The District received net proceeds of $4,876,231 (after payment of $123,769 in underwriter fees, and issuance costs).

The District began making annual deposits of $275,665 on December 27, 2006, into an investment account with US Bank for payment of the QZAB at maturity. Payment are made every year on December 27 beginning on December 27, 2006 and ending December 27, 2020, which will total $4,665,657.

The required payments through 2021, are as follows:

Fiscal Year	Required Payments
2021	$ 275,665
Cumulative payments made by the District	4,665,657
Projected cumulative interest earnings	58,678
Total obligation	$ 5,000,000
Remaining obligation to be funded with required payments and interest earnings	$ 334,343

Capital Leases

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

	Business-Type Activities Buses
Balance, July 1, 2019	$ 3,202,679
Additions	-
Payments	(1,065,846)
Balance, June 30, 2020	$ 2,136,833

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 1,065,847
2022	401,338
2023	267,859
2024	267,859
2025	133,930
Total	2,136,833
Less amount representing interest	(109,259)
Present value of minimum lease payments	$ 2,027,574

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2020, include the following:

Equipment	$ 6,184,902
Less accumulated depreciation	(4,157,328)
Total	$ 2,027,574

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

Compensated Absences

Compensated absences (unpaid employee vacation) for the Governmental Activities and the Business-Type Activities at June 30, 2020, amounted to $1,517,960 and $284,082, 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 $10,478,313.

Note 10 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows 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	$ 32,682,211	$ 2,029,509	$ 3,018,826	$ 1,225,541
Transportation Plan	2,615,079	306,348	455,682	142,285
Medicare Premium Payment (MPP) Program	1,444,124	-	-	(43,486)
Total	$ 36,741,414	$ 2,335,857	$ 3,474,508	$ 1,324,340

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	2,723
Total	2,833

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, 2020, the District contributed $1,084,900 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District and Transportation

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 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	2.20	percent
Healthcare cost trend rates	4.00	percent for 2020

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

	Total OPEB Liability
Balance, June 30, 2019	$ 33,886,756
Service cost	3,189,197
Interest	1,222,862
Differences between expected and actual experience	(3,722,688)
Changes of assumptions	1,806,063
Benefit payments	(1,084,900)
Net change in total OPEB liability	1,410,534
Balance, June 30, 2020	$ 35,297,290

No changes to benefits noted from the prior evaluation.

Change in assumptions reflect a change in the discount rate from 3.50% in 2019 to 2.20% in 2020.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.20%)	$ 30,896,348
Current discount rate (2.20%)	35,297,290
1% increase (3.20%)	40,538,558

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 (3.0%)	$ 37,942,727
Current healthcare cost trend rate (4.0%)	35,297,290
1% increase (5.0%)	32,769,827

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

For the year ended June 30, 2020, the District and Transportation recognized OPEB expense of $1,225,541 and $142,285, respectively. At June 30, 2020, 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	$ 2,335,857	$ -
Net difference between projected and actual earnings on OPEB plan investments	-	3,474,508
Total	$ 2,335,857	$ 3,474,508

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
2021	$ (75,339)
2022	(75,339)
2023	(75,339)
2024	(75,339)
2025	(75,339)
Thereafter	(761,956)
Total	$ (1,138,651)

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, 2018, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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, 2020, the District reported a liability of $1,444,124 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019, was 0.3878%.

For the year ended June 30, 2020, the District recognized OPEB expense of $(43,486).

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.78%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

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

Discount Rate

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

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

The following 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 (2.50%)	$ 1,575,871
Current discount rate (3.50%)	1,444,124
1% increase (4.50%)	1,322,991

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 (2.7% Part A and 3.1% Part B)	$ 1,353,577
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,444,124
1% increase (4.7% Part A and 5.1% Part B)	1,624,992

Note 11 - 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 $27,970,000 as of June 30, 2020, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 12 - 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	$ -	$ -	$ 5,070	$ 17,840
Stores inventories	265,906	-	-	921,362	1,187,268
Total nonspendable	278,676	-	-	926,432	1,205,108
Restricted					
Legally restricted programs	5,859,471	-	-	4,256,328	10,115,799
Capital projects	-	24,797,776	-	17,800,255	42,598,031
Debt services	-	-	16,691,691	26,588	16,718,279
Total restricted	5,859,471	24,797,776	16,691,691	22,083,171	69,432,109
Assigned					
H&W holding	777,971	-	-	-	777,971
Furniture and equipment	125,000	-	-	-	125,000
Site donations	529,905	-	-	-	529,905
ROTC	28,334	-	-	-	28,334
Unclaimed property	56,949	-	-	-	56,949
Deferred maintenance projects	413,190	-	-	-	413,190
Post retirement benefits	4,761,458	-	-	-	4,761,458
Other	-	-	-	522,607	522,607
Total assigned	6,692,807	-	-	522,607	7,215,414
Unassigned					
Reserve for economic uncertainties	13,928,023	-	-	-	13,928,023
Remaining unassigned	20,573,507	-	-	-	20,573,507
Total unassigned	34,501,530	-	-	-	34,501,530
Total	$ 47,332,484	$ 24,797,776	$ 16,691,691	$ 23,532,210	$ 112,354,161

Note 13 - 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 of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, 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 Riverside Employer/Employee Partnership (REEP) to provide employee health benefits. REEP is a shared risk pool comprised of 32 member Districts and Inland Empire region. 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, 2018 to June 30, 2020:

	Workers' Compensation
Liability Balance, July 1, 2018	$ 8,121,658
Claims and changes in estimates	3,202,777
Claims payments	(2,035,992)
Liability Balance, June 30, 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
Assets available to pay claims at June 30, 2020	$ 11,170,436

Note 14 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 197,984,969	$ 62,637,757	$ 15,064,180	$ 27,512,714
CalPERS	121,156,596	31,732,418	1,123,750	26,877,733
Total	$ 319,141,565	$ 94,370,175	$ 16,187,930	$ 54,390,447

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $21,190,230.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 197,984,969
State's proportionate share of the net pension liability	108,014,018
Total	$ 305,998,987

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.2192% and 0.2166%, respectively, resulting in a net increase in the proportionate share of 0.0026%.

For the year ended June 30, 2020, the District recognized pension expense of $27,512,714. In addition, the District recognized pension expense and revenue of $16,085,617 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 21,190,230	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	15,906,949	1,858,752
Differences between projected and actual earnings on pension plan investments	-	7,626,442
Differences between expected and actual experience in the measurement of the total pension liability	499,807	5,578,986
Changes of assumptions	25,040,771	-
Total	$ 62,637,757	$ 15,064,180

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
2021	$ (769,258)
2022	(6,054,498)
2023	(1,257,007)
2024	454,321
Total	$ (7,626,442)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 8,463,530
2022	10,138,167
2023	7,202,111
2024	7,150,990
2025	1,230,534
Thereafter	(175,543)
Total	$ 34,009,789

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%)	$ 294,816,007
Current discount rate (7.10%)	197,984,969
1% increase (8.10%)	117,693,598

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, 2018, 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, 2020, are summarized as follows:

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $11,651,075.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $121,156,596. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, was 0.4157% and 0.4001%, respectively, resulting in a net increase in the proportionate share of 0.0156%.

For the year ended June 30, 2020, the District recognized pension expense of $26,877,733. At June 30, 2020, 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	$ 11,651,075	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,513,080	-
Differences between projected and actual earnings on pension plan investments	-	1,123,750
Differences between expected and actual experience in the measurement of the total pension liability	8,800,832	-
Changes of assumptions	5,767,431	-
Total	$ 31,732,418	$ 1,123,750

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
2021	$ 1,109,265
2022	(2,215,723)
2023	(335,766)
2024	318,474
Total	$ (1,123,750)

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
2021	$ 12,562,438
2022	4,961,029
2023	2,325,341
2024	232,535
Total	$ 20,081,343

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7. 15%
Investment rate of return	7. 15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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%)	$ 174,639,267
Current discount rate (7.15%)	121,156,596
1% increase (8.15%)	76,789,026

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 $11,282,408 (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. No contributions were made to CalPERS for the year ended June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in the amount of $3,784,500 in these financial statements.

Note 15 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Site acquisition	$ 25,000	2020-2021
DSA Closeout Projects	3,400	2020-2021
Winchester Modernization	589,502	2021-2022
Idyllwild Admin Modernization	428,758	2020-2021
Little Lake Modernization	762,665	2022-2023
IT LCD Project (District Wide)	588,642	2020-2021
Gibble Elementary	1,106,074	2023-2024
Transportation CNG Station	16,270	2020-2021
Campus Painting (Multiple Sites)	39,545	2020-2021
Shade Structures (Multiple Sites)	84,248	2020-2021
Roofing Projects (Multiple Sites)	20,207	2020-2021
Welding Lab for CTE	52,155	2020-2021
HVAC Additions (Multiple Sites)	725,592	2020-2021
Turf Replacement at Hamilton HS	212,113	2020-2021
Total	$ 4,654,171	

Note 16 - Participation Joint Powers Authority

The District is a member of the Riverside County Employer/Employee Partnership (REEP) 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, 2020, the District made payments of $12,186,449 and $2,468,426 to Riverside County Employer/Employee Partnership (REEP) and SoCal ReLiEF, respectively, for its health coverage and property liability.

Note 17 - Subsequent Events

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

2018 General Obligation Bonds, Series B

On July 15, 2020, the District issued $26,500,000 in current interest bonds of the Election of 2018 General Obligation Bonds, Series B. The principal payments of the Series B general obligation bonds will begin in 2022, and are to be made annually thereafter, and interest payments are made semi-annually and will begin in 2021. 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 2.00% and 5.00%.

General Obligation Refunding Bonds, Series 2020

On July 15, 2020, the District issued $7,790,000 in current interest bonds of the Election of 2016 General Obligation Bonds, Series C. The principal payments of the Series C general obligation bonds will begin in 2021, and are to be made annually thereafter, and interest payments are made semi-annually and will begin in 2021. The refunding bonds will be used to refund certain outstanding bonds from the 2010 bonds and to pay costs of issuance. Interest rate on the bonds are 5.00%.

Required Supplementary Information
June 30, 2020

Hemet Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 232,545,709	$ 232,026,361	$ 232,038,906	$ 12,545
Federal sources	17,881,276	17,042,099	15,613,090	(1,429,009)
Other State sources	22,225,746	26,967,542	26,860,180	(107,362)
Other local sources	16,409,991	18,769,053	19,348,012	578,959
Total revenues [1]	289,062,722	294,805,055	293,860,188	(944,867)
Expenditures				
Current				
Certificated salaries	125,543,120	122,380,410	123,135,381	(754,971)
Classified salaries	44,860,488	44,213,559	44,563,968	(350,409)
Employee benefits	67,621,937	69,169,819	69,239,443	(69,624)
Books and supplies	20,412,784	13,647,789	11,892,454	1,755,335
Services and operating expenditures	37,120,785	36,737,907	35,606,614	1,131,293
Other outgo	(636,200)	(249,428)	2,865,184	(3,114,612)
Capital outlay	704,500	1,769,365	1,688,713	80,652
Debt service				
Debt service - principal	2,116,732	2,116,732	389,087	1,727,645
Debt service - interest and other	1,667,330	1,631,982	-	1,631,982
Total expenditures [1]	299,411,476	291,418,135	289,380,844	2,037,291
Excess (Deficiency) of Revenues Over Expenditures	(10,348,754)	3,386,920	4,479,344	1,092,424
Other Financing Uses				
Transfers in	5,796,672	7,455,776	7,729,491	273,715
Transfers out	(4,265,000)	(3,817,000)	(4,212,818)	(395,818)
Net financing uses	1,531,672	3,638,776	3,516,673	(122,103)
Net Change in Fund Balances	(8,817,082)	7,025,696	7,996,017	970,321
Fund Balance - Beginning	39,336,467	39,336,467	39,336,467	-
Fund Balance - Ending	$ 30,519,385	$ 46,362,163	$ 47,332,484	$ 970,321

[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.

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 3,189,197	$ 2,958,458	$ 2,879,278
Interest	1,222,862	1,088,299	1,068,087
Difference between expected and actual experience	(3,722,688)	-	-
Changes of assumptions	1,806,063	755,071	-
Benefit payments	(1,084,900)	(1,060,211)	(1,019,434)
Net change in total OPEB liability	1,410,534	3,741,617	2,927,931
Total OPEB Liability - Beginning	33,886,756	30,145,139	27,217,208
Total OPEB Liability - Ending	$ 35,297,290	$ 33,886,756	$ 30,145,139
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2018	June 30, 2017

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

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

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.2192%	0.2166%	0.2038%	0.2081%	0.2040%	0.1826%
Proportionate share of the net pension liability	$ 197,984,969	$ 199,031,497	$ 188,518,139	$ 168,316,604	$ 137,370,181	$ 106,695,256
State's proportionate share of the net pension liability	108,014,018	113,954,840	111,525,738	95,819,640	72,653,682	64,427,202
Total	$ 305,998,987	$ 312,986,337	$ 300,043,877	$ 264,136,244	$ 210,023,863	$ 171,122,458
Covered payroll	$ 121,734,902	$ 117,924,823	$ 110,506,645	$ 104,777,884	$ 94,422,286	$ 101,633,888
Proportionate share of the net pension liability as a percentage of its covered payroll	162.64%	168.78%	170.59%	160.64%	145.48%	104.98%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.4157%	0.4001%	0.3950%	0.3874%	0.3753%	0.3178%
Proportionate share of the net pension liability	$ 121,156,596	$ 106,672,428	$ 94,289,877	$ 76,508,391	$ 55,315,901	$ 40,039,851
Covered payroll	$ 59,091,651	$ 65,038,729	$ 54,065,452	$ 66,483,861	$ 41,568,601	$ 42,763,912
Proportionate share of the net pension liability as a percentage of its covered payroll	205.03%	164.01%	174.40%	115.08%	133.07%	93.63%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 21,190,230	$ 19,818,442	$ 17,016,552	$ 13,901,736	$ 11,242,667	$ 8,384,699
Less contributions in relation to the contractually required contribution	21,190,230	19,818,442	17,016,552	13,901,736	11,242,667	8,384,699
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 123,919,474	$ 121,734,902	$ 117,924,823	$ 110,506,645	$ 104,777,884	$ 94,422,286
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 11,651,075	$ 10,673,134	$ 10,101,165	$ 7,508,610	$ 7,876,343	$ 4,893,040
Less contributions in relation to the contractually required contribution	11,651,075	10,673,134	10,101,165	7,508,610	7,876,343	4,893,040
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 59,079,535	$ 59,091,651	$ 65,038,729	$ 54,065,452	$ 66,483,861	$ 41,568,601
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	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 3.50% to 2.20%.

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 3.87% to 3.50% 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, 2020

Hemet Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast Needy	10.553	13526	$ 3,419,742
Summer Food Service	10.559	13004	1,517,353
National School Lunch	10.555	13523	7,061,574
Food Distribution	10.555	13524	1,096,849
Total Child Nutrition Cluster			13,095,518
Child and Adult Care Food Program	10.558	13393	350,503
Fresh Fruit and Vegetable Program	10.582	14968	77,594
Forest Services Schools and Road Cluster			
Forest Reserve Funds	10.665	10044	67,622
Total U.S. Department of Agriculture			13,591,237
U.S. Department of Defense			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	183,443
U.S. Department of Education			
Passed Through Riverside County Special Education Local Plan Area			
Special Education Cluster			
Basic Local Assistance	84.027	13379	4,358,226
Special Education Grants to States - Private Schools ISPs	84.027	10115	4,445
Mental Health	84.027A	15197	221,291
Preschool Grants	84.173	13430	82,545
Preschool Staff Development	84.173A	13431	871
Total Special Education Cluster			4,667,378
Passed Through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	5,810,286
School Improvement Funding for LEAs	84.010	15438	239,418
Subtotal			6,049,704

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	$ 887,352
Title III, English Learner Student Program	84.365	14346	330,423
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	333,416
Twenty-First Century Community Learning Centers	84.287	14349	525,000
Career and Technical Education - Basic Grants to States	84.048	14894	86,979
Indian Education	84.060	10011	17,707
Student Financial Assistance Cluster			
Federal Work-Study Program	84.033	[1]	140,353
Total U.S. Department of Education			13,038,312
U.S. Department of Health and Human Services			
Passed Through California Department of Health and Human Services			
Head Start	93.600	10016	1,942,285
U.S. Department of Homeland Security			
Passed Through California Office of Emergency Services			
FEMA Public Assistance Grant	97.036	10014	46,039
Total Expenditures of Federal Awards			$ 28,801,316

[1] 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 twelve elementary schools, three K-8 schools, four middle schools, four high schools, one continuation school, two alternative independent study schools, an adult school, and one charter school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Megan Haley	President	2022
Stacey Bailey	Vice President	2020
Rob Davis	Member	2022
Gene Hikel	Member	2020
Vic Scavarda	Member	2022
Patrick Searl	Member	2020
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. Karen Valdes	Assistant Superintendent, Student Services (started on July 1, 2020)
Dr. Derek Jindra	Assistant Superintendent, Human Resources
Pam Buckhout	Director of Fiscal Services (retired on July 1, 2020)
Jessica Garcia	Director of Fiscal Services (started on July 7, 2020)

	Final Report	
	Second Period Report 6F8CE6FA	Annual Report B364CA3F
Hemet Unified School District		
Regular ADA		
Transitional kindergarten through third	6,226.86	6,226.86
Fourth through sixth	4,470.37	4,470.37
Seventh and eighth	3,069.09	3,069.09
Ninth through twelfth	6,337.42	6,337.42
Total Regular ADA	20,103.74	20,103.74
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	5.21	5.21
Fourth through sixth	5.95	5.95
Seventh and eighth	8.13	8.13
Ninth through twelfth	14.28	14.28
Total Special Education, Nonpublic, Nonsectarian Schools	33.57	33.57
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.17	0.17
Fourth through sixth	0.28	0.28
Seventh and eighth	0.51	0.51
Ninth through twelfth	1.65	1.65
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.61	2.61
Community Day School		
Seventh and eighth	22.22	20.01
Ninth through twelfth	57.69	51.98
Total Community Day School	79.91	71.99
Total ADA	20,219.83	20,211.91

	Final Report	
	Second Period Report A0FFB507	Annual Report 1C976CE3
Western Center Academy		
Regular ADA		
Fifth through sixth	125.44	125.44
Seventh and eighth	265.79	265.79
Ninth through twelfth	305.12	305.12
Total Regular ADA	696.35	696.35
Classroom-Based ADA		
Fourth through sixth	125.44	125.44
Seventh and eighth	265.79	265.79
Ninth through twelfth	305.12	305.12
Total Classroom-Based ADA	696.35	696.35

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	37,364	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,221	180	N/A	Complied
Grade 2		54,221	180	N/A	Complied
Grade 3		54,221	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,163	180	N/A	Complied
Grade 5		54,904	180	N/A	Complied
Grade 6		54,098	180	N/A	Complied
Grade 7		54,098	180	N/A	Complied
Grade 8		54,098	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,027	180	N/A	Complied
Grade 10		65,027	180	N/A	Complied
Grade 11		65,027	180	N/A	Complied
Grade 12		65,027	180	N/A	Complied

Western Center Academy

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 6 - 8	54,000				
Grade 6		58,782	180	N/A	Complied
Grade 7		58,782	180	N/A	Complied
Grade 8		58,782	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,796	180	N/A	Complied
Grade 10		65,796	180	N/A	Complied
Grade 11		65,796	180	N/A	Complied
Grade 12		65,796	180	N/A	Complied

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

	(Budget) 2021 [1]	2020	2019	2018
General Fund				
Revenues	$ 284,303,416	$ 293,860,188	$ 297,404,584	$ 263,820,731
Other sources	5,809,656	7,729,491	5,987,334	5,860,848
Total Revenues and Other Sources	290,113,072	301,589,679	303,391,918	269,681,579
Expenditures	299,010,883	289,380,844	291,125,740	271,154,623
Other uses and transfers out	3,622,000	4,212,818	4,401,746	6,797,408
Total Expenditures and Other Uses	302,632,883	293,593,662	295,527,486	277,952,031
Increase/(Decrease) in Fund Balance	(12,519,811)	7,996,017	7,864,432	(8,270,452)
Ending Fund Balance	$ 29,638,025	$ 42,157,836	$ 34,161,819	$ 26,297,387
Available Reserves [2]	$ 13,708,870	$ 34,501,530	$ 14,227,580	$ 13,015,000
Available Reserves as a Percentage of Total Outgo	4.53%	11.75%	4.81%	4.68%
Long-Term Liabilities [3]	N/A	$ 578,727,583	$ 573,284,804	$ 546,441,736
K-12 Average Daily Attendance at P-2 [4]	20,247	20,220	20,148	20,029

The General Fund balance has increased by $15,860,449 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $12,519,811 (29.70%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $32,285,847 over the past two years.

Average daily attendance has increased by 191 over the past two years. Additional growth of 27 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.

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

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

[4] Excludes charter school ADA.

Name of Charter School and Charter Number	Included in Audit Report
Western Center Academy (Charter No. 1144)	Yes

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
Assets				
Deposits and investments	$ 222,611	$ 68,888	$ 811,219	$ 1,096,210
Receivables	1,176,670	3,968	106,767	1,648,880
Due from other funds	368,670	30,575	-	46,908
Stores inventories	-	-	-	921,362
Total assets	$ 1,767,951	$ 103,431	$ 917,986	$ 3,713,360
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 390,688	$ 774	$ 213	$ 57,891
Due to other funds	405,275	102,657	63	105,904
Unearned revenue	-	-	256,503	-
Total liabilities	795,963	103,431	256,779	163,795
Fund Balances				
Nonspendable	-	-	-	926,432
Restricted	971,988	-	661,207	2,623,133
Assigned	-	-	-	-
Total fund balances	971,988	-	661,207	3,549,565
Total liabilities and fund balances	$ 1,767,951	$ 103,431	$ 917,986	$ 3,713,360

	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	$ 12,230,913	$ 521,318	$ 5,553,584	$ 26,588	$ 20,531,331
Receivables	29,903	1,289	-	-	2,967,477
Due from other funds	-	-	-	-	446,153
Stores inventories	-	-	-	-	921,362
Total assets	$ 12,260,816	$ 522,607	$ 5,553,584	$ 26,588	$ 24,866,323
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 14,145	$ -	$ -	$ -	$ 463,711
Due to other funds	-	-	-	-	613,899
Unearned revenue	-	-	-	-	256,503
Total liabilities	14,145	-	-	-	1,334,113
Fund Balances					
Nonspendable	-	-	-	-	926,432
Restricted	12,246,671	-	5,553,584	26,588	22,083,171
Assigned	-	522,607	-	-	522,607
Total fund balances	12,246,671	522,607	5,553,584	26,588	23,532,210
Total liabilities and fund balances	$ 12,260,816	$ 522,607	$ 5,553,584	$ 26,588	$ 24,866,323

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
Revenues				
Local Control Funding Formula	$ 6,483,932	$ -	$ -	$ -
Federal sources	-	-	-	13,523,615
Other State sources	1,372,837	802,799	3,368,472	964,906
Other local sources	606,400	14,341	15,688	454,826
Total revenues	8,463,169	817,140	3,384,160	14,943,347
Expenditures				
Current				
Instruction	4,680,655	520,850	2,095,239	-
Instruction-related activities				
Supervision of instruction	609	-	354,236	-
School site administration	801,827	281,990	174,382	-
Pupil services				
Food services	-	-	-	14,429,446
All other pupil services	247,388	5,155	10,610	-
Administration				
Data processing	5,801	-	-	-
All other administration	308,868	38,025	152,215	451,115
Plant services	1,838,656	914	59,291	211,780
Ancillary services	112,680	-	-	-
Facility acquisition and construction	-	-	4,471	49,594
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	7,996,484	846,934	2,850,444	15,141,935
Excess (Deficiency) of Revenues Over Expenditures	466,685	(29,794)	533,716	(198,588)
Other Financing Sources (Uses)				
Transfers in	-	29,794	-	42,486
Other sources - proceeds and premium on certificates of participation issuance	-	-	-	-
Transfers out	(442,140)	-	-	-
Other uses - payment to refunded certificates of participation escrow agent	-	-	-	-
Net Financing Sources (Uses)	(442,140)	29,794	-	42,486
Net Change in Fund Balances	24,545	-	533,716	(156,102)
Fund Balance - Beginning	947,443	-	127,491	3,705,667
Fund Balance - Ending	$ 971,988	$ -	$ 661,207	$ 3,549,565

	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	$ -	$ -	$ -	$ -	$ 6,483,932
Federal sources	-	-	-	-	13,523,615
Other State sources	-	-	-	-	6,509,014
Other local sources	4,089,069	10,244	619,744	9,116	5,819,428
Total revenues	4,089,069	10,244	619,744	9,116	32,335,989
Expenditures					
Current					
Instruction	-	-	-	-	7,296,744
Instruction-related activities					
Supervision of instruction	-	-	-	-	354,845
School site administration	-	-	-	-	1,258,199
Pupil services					
Food services	-	-	-	-	14,429,446
All other pupil services	-	-	-	-	263,153
Administration					
Data processing	-	-	-	-	5,801
All other administration	119,859	-	-	-	1,070,082
Plant services	2,693	-	-	-	2,113,334
Ancillary services	-	-	-	-	112,680
Facility acquisition and construction	1,370,190	-	-	-	1,424,255
Debt service					
Principal	-	-	-	2,060,000	2,060,000
Interest and other	-	-	-	1,976,884	1,976,884
Total expenditures	1,492,742	-	-	4,036,884	32,365,423
Excess (Deficiency) of Revenues Over Expenditures	2,596,327	10,244	619,744	(4,027,768)	(29,434)
Other Financing Sources (Uses)					
Transfers in	-	-	-	3,790,538	3,862,818
Other sources - proceeds and premium on certificates of participation issuance	-	-	-	3,407,974	3,407,974
Transfers out	-	(75,000)	(816,490)	(37)	(1,333,667)
Other uses - payment to refunded certificates of participation escrow agent	-	-	-	(3,563,722)	(3,563,722)
Net Financing Sources (Uses)	-	(75,000)	(816,490)	3,634,753	2,373,403
Net Change in Fund Balances	2,596,327	(64,756)	(196,746)	(393,015)	2,343,969
Fund Balance - Beginning	9,650,344	587,363	5,750,330	419,603	21,188,241
Fund Balance - Ending	$ 12,246,671	$ 522,607	$ 5,553,584	$ 26,588	$ 23,532,210

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position 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, 2020, 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 FEMA Public Assistance Grant funds have been recorded in the current period as revenues that have not been expended as of June 30, 2020. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		$ 29,136,705
FEMA Public Assistance Grant	97.036	(335,389)
Total Schedule of Expenditures of Federal Awards		$ 28,801,316

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 49 days due to the pandemic. As a result, the District received credit for these 49 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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, 2020

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 Directors
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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2020.

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

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2020

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 Directors
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, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2020

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

To the Board of Directors
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 *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

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

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

Compliance Requirements Tested

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

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

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

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

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

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

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

The District does not offer an Independent Study - Course Based program; therefore, we did not perform 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 with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2020

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Special Education Cluster	84.027, 84.0173, 84.027A, 84.0173A
Head Start	93.600

Dollar threshold used to distinguish between type A and type B programs:	$864,039
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

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

None reported.

None reported.

None reported.

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