



**MORONGO UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

◆ *Learning for Life* ◆

JUNE 30, 2014

MORONGO UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2014

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds - Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Proprietary Fund - Statement of Net Position	21
Proprietary Fund - Statement of Revenues, Expenses, and Changes in Net Position	22
Proprietary Fund - Statement of Cash Flows	23
Fiduciary Funds - Statement of Net Position	24
Notes to Financial Statements	25

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	57
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	58

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	60
Local Education Agency Organization Structure	62
Schedule of Average Daily Attendance	63
Schedule of Instructional Time	64
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	65
Schedule of Financial Trends and Analysis	66
Schedule of Charter Schools	67
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	69
Note to Supplementary Information	70

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Others Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	73
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the OMB Circular A-133	75
Report on State Compliance	77

MORONGO UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	80
Financial Statement Findings	81
Federal Awards Findings and Questioned Costs	82
State Awards Findings and Questioned Costs	83
Summary Schedule of Prior Audit Findings	84

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Morongo Unified School District
Twenty-nine Palms, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morongo Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morongo Unified School District, as of June 30, 2014, 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 required supplementary information, such as management's discussion and analysis on pages 5 through 13, and budgetary comparison and other postemployment benefit information on pages 57 and 58, respectively, 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 Morongo Unified School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the Morongo Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Morongo Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 8, 2014



MORONGO

UNIFIED SCHOOL DISTRICT

Board of Education

Ron Palmer, President
Donna Munoz
Karalee Hargrove
Chris Proudfoot
Ed Will

5715 Utah Trail (P.O. Box 1209), Twentynine Palms, CA 92277 (760) 367-9191 or 365-3394 Fax: (760) 367-7189

This section of Morongo Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014, with comparative information from 2013. 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 Morongo Unified School District and its component units using the integrated approach in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

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

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

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

The Management Discussion and Analysis Statements are provided to assist our citizens, taxpayers, and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The District's government-wide Statement of Net Position shows total net position of \$73,999,778, the result of assets of \$132,951,481, minus liabilities of \$58,951,703.
- General revenues accounted for \$62,592,562 in revenue or 76.1 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$19,627,261 or 23.9 percent of total revenues of \$82,219,823.
- The District had \$85,050,696 in expenses related to governmental activities; only \$19,627,261 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily Local Control Funding Formula (LCFF) and property taxes) of \$62,592,562 were adequate to provide for these programs.
- The General Fund reported a positive fund balance of \$20,074,746.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health 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 are the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

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

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

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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. Funds are required to be established by State law; however, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of 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.

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$73,999,778 for the fiscal year ended June 30, 2014. Of this amount \$15,255,517 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1), and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 50,242,671	\$ 61,361,305
Capital assets	82,708,810	73,112,018
Total Assets	<u>132,951,481</u>	<u>134,473,323</u>
Liabilities		
Current liabilities	10,196,783	8,518,380
Long-term obligations	48,754,920	49,124,292
Total Liabilities	<u>58,951,703</u>	<u>57,642,672</u>
Net Position		
Net investment in capital assets	43,230,310	39,635,401
Restricted	15,513,951	18,480,440
Unrestricted	15,255,517	18,714,810
Total Net Position	<u>\$ 73,999,778</u>	<u>\$ 76,830,651</u>

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Changes in Net Position

The change in total net position is due to an increase in receivables, and buildings and improvements for modernization projects.

Table 2

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,206,877	\$ 1,313,172
Operating grants and contributions	16,918,282	20,862,952
Capital grants and contributions	1,502,102	12,082,507
General revenues:		
Federal and State aid not restricted to specific purposes	51,262,605	48,077,590
Property taxes	7,873,320	7,193,842
Other general revenues	3,456,637	1,322,086
Total Revenues	<u>82,219,823</u>	<u>90,852,149</u>
Expenses		
Instruction-related	56,596,969	53,257,505
Other pupil services	11,437,625	11,185,588
Administration	4,975,512	4,244,068
Maintenance and operations	9,299,109	8,290,442
Other	2,741,481	3,329,347
Total Expenses	<u>85,050,696</u>	<u>80,306,950</u>
Change in Net Position	<u>\$ (2,830,873)</u>	<u>\$ 10,545,199</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$85,050,696. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$7,873,320 because the cost was paid by those who benefited from the programs (\$1,206,877) or by other governments and organizations who subsidized certain programs with grants and contributions (\$18,420,384). We paid for the remaining "public benefit" portion of our governmental activities with \$54,719,242 in State funds and other revenues, like interest and general entitlements.

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's largest functions – instruction-related activities, other pupil services, administration, maintenance and operations, and other activities. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Net Cost by Function	
	2014	2013
Instruction-related activities	\$ 43,210,904	\$ 28,035,091
Other pupil services	6,418,632	3,727,834
Administration	4,339,966	3,369,551
Maintenance and operations	9,270,862	8,275,812
Other activities	2,183,071	2,640,031
Total	\$ 65,423,435	\$ 46,048,319

THE DISTRICT FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$39,751,287 which is a decrease of \$12,791,567 over last year.

Table 4

	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 22,968,973	\$ 74,307,886	\$ 77,202,113	\$ 20,074,746
Cafeteria Fund	236,499	3,786,057	3,921,120	101,436
Deferred Maintenance Fund	911,218	2,942	1,910	912,250
Building Fund	11,183,148	1,524,248	8,311,705	4,395,691
Capital Facilities Fund	11,514,688	647,144	198,275	11,963,557
County School Facilities Fund	3,503,560	1,502,102	4,865,702	139,960
Bond Interest and Redemption Fund	2,224,768	1,953,885	2,015,006	2,163,647
Total	\$ 52,542,854	\$ 83,724,264	\$ 96,515,831	\$ 39,751,287

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30. During the course of the fiscal year, the District revises its budget as it deals with changes in revenues and expenditures.

Revenues were \$2,021,272 less than expected and expenditures were \$5,284,257 less than projected. The State of California had not finalized its budget at the time the original budget was adopted. Grant and entitlement amounts were not finalized until later in the year. Carryover amounts and ending balances are not determined until the books are finally closed.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 57.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (Net of Depreciation)

At the end of fiscal year of 2014, the District had \$82,708,810 invested in land, buildings, equipment, and construction in progress. Table 5 shows fiscal year 2013-2014 balances compared to fiscal year 2012-2013 balances.

Table 5

	Governmental Activities	
	2014	2013
Land	\$ 1,958,169	\$ 1,958,169
Construction in progress	34,861,345	29,339,768
Buildings and improvements	42,721,886	40,607,013
Furniture and equipment	3,167,410	1,207,068
Total	\$ 82,708,810	\$ 73,112,018

We present more detailed information about our capital assets in Note 4 to the financial statements.

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Long-Term Obligations

At the end of this year, the District had \$46,104,635 of general obligation bonds payable, \$414,610 of premium on issuance, \$1,714,929 in supplemental early retirement program payable, \$359,839 in compensated absences payable, and \$160,907 in net OPEB obligation. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 ARE NOTED BELOW

The Morongo Unified School District would like to recognize the following employees. Their expertise, hard work, and professionalism made the implementation of the integrated approach prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 possible. They are responsible for the success of this year's report:

- Sandi Pearce
- Marilyn Waters
- Valerie Paulus

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the District Budget for the 2014-2015 school year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. LCFF includes a .85 percent cola projection with a 29.56 GAP funding percentage.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through three	24:1	2,877
Grades four through six	29.9:1	1,931
Grades seven through eight	29.9:1	1,202
Grades nine through twelve	30:1	2,222

The major changes to expenditure items specifically addressed in the budget are:

1. Employee step and column increases, and no furlough days.

MORONGO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for money it receives. If you have questions about this report or need any additional financial information, contact Sharon Flores, Assistant Superintendent-Business Services, Morongo Unified School District, 5715 Utah Trail, P.O. Box 1209, Twentynine Palms, CA 92277 or sharon_flores@morongo.k12.ca.us.

MORONGO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 38,125,868
Receivables	11,361,936
Prepaid expenditures	641,383
Stores inventories	113,484
Capital assets	
Land and construction in progress	36,819,514
Other capital assets	94,592,595
Less: Accumulated depreciation	(48,703,299)
Capital assets, net of accumulated depreciation	<u>82,708,810</u>
Total Assets	<u><u>132,951,481</u></u>
LIABILITIES	
Accounts payable	9,509,367
Interest payable	513,914
Unearned revenue	173,502
Long-term obligations	
Current portion of long-term obligations	981,644
Noncurrent portion of long-term obligations	<u>47,773,276</u>
Total Long-Term Obligations	<u>48,754,920</u>
Total Liabilities	<u><u>58,951,703</u></u>
NET POSITION	
Net investment in capital assets	43,230,310
Restricted for:	
Debt service	1,649,733
Capital projects	10,840,447
Educational programs	2,922,335
Other activities	101,436
Unrestricted	<u>15,255,517</u>
Total Net Position	<u><u>\$ 73,999,778</u></u>

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

MORONGO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 48,113,119	\$ 110,092	\$ 9,872,847	\$ 1,502,102	\$ (36,628,078)
Instruction-related activities:					
Supervision of instruction	2,733,828	13	1,827,566	-	(906,249)
Instructional library, media and technology	689,413	-	11,773	-	(677,640)
School site administration	5,060,609	-	61,672	-	(4,998,937)
Pupil services:					
Home-to-school transportation	3,174,130	-	-	-	(3,174,130)
Food services	4,002,865	607,224	2,923,085	-	(472,556)
All other pupil services	4,260,630	-	1,488,684	-	(2,771,946)
Administration:					
Data processing	1,218,581	-	-	-	(1,218,581)
All other administration	3,756,931	1,173	634,373	-	(3,121,385)
Plant services	9,299,109	15,608	12,639	-	(9,270,862)
Ancillary services	303,733	-	-	-	(303,733)
Community services	128,533	-	44,663	-	(83,870)
Interest on long-term obligations	2,171,800	-	-	-	(2,171,800)
Other outgo	137,415	472,767	40,980	-	376,332
Total Governmental Activities	\$ 85,050,696	\$ 1,206,877	\$ 16,918,282	\$ 1,502,102	(65,423,435)
General revenues and subventions:					
					5,962,710
					1,910,610
					520,931
					51,262,605
					109,286
					75,156
					2,751,264
					<u>62,592,562</u>
					(2,830,873)
					76,830,651
					<u>\$ 73,999,778</u>

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

MORONGO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2014

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>
ASSETS			
Deposits and investments	\$ 15,998,077	\$ 715,277	\$ 5,658,761
Receivables	10,876,073	453,884	5,281
Due from other funds	1,159,774	10,739	-
Prepaid expenditures	641,383	-	-
Stores inventories	12,098	101,386	-
Total Assets	<u>\$ 28,687,405</u>	<u>\$ 1,281,286</u>	<u>\$ 5,664,042</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,224,346	\$ 3,418	\$ 1,268,351
Due to other funds	231,469	1,159,774	-
Unearned revenue	156,844	16,658	-
Total Liabilities	<u>8,612,659</u>	<u>1,179,850</u>	<u>1,268,351</u>
Fund Balances:			
Nonspendable	688,481	101,436	-
Restricted	2,922,335	-	4,395,691
Committed	-	-	-
Assigned	9,073,642	-	-
Unassigned	7,390,288	-	-
Total Fund Balances	<u>20,074,746</u>	<u>101,436</u>	<u>4,395,691</u>
Total Liabilities and Fund Balances	<u>\$ 28,687,405</u>	<u>\$ 1,281,286</u>	<u>\$ 5,664,042</u>

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 11,731,058	\$ 3,214,884	\$ 37,318,057
25,022	972	11,361,232
220,730	-	1,391,243
-	-	641,383
-	-	113,484
<u>\$ 11,976,810</u>	<u>\$ 3,215,856</u>	<u>\$ 50,825,399</u>
\$ 13,252	\$ -	\$ 9,509,367
-	-	1,391,243
-	-	173,502
<u>13,252</u>	<u>-</u>	<u>11,074,112</u>
-	-	789,917
11,963,558	2,303,606	21,585,190
-	912,250	912,250
-	-	9,073,642
-	-	7,390,288
<u>11,963,558</u>	<u>3,215,856</u>	<u>39,751,287</u>
<u>\$ 11,976,810</u>	<u>\$ 3,215,856</u>	<u>\$ 50,825,399</u>

MORONGO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds		\$ 39,751,287
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 the following	\$ 131,412,109	
Accumulated depreciation is the following	<u>(48,703,299)</u>	
Net Capital Assets		82,708,810
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(513,914)
An internal service fund is used by the District's management to account for the costs of the property and liability insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets are:		808,515
Long-term obligations at year-end consist of the following:		
General obligation bonds	44,722,651	
Unamortized premium amount on issuance	414,610	
Supplemental early retirement program	1,714,929	
Compensated absences	359,839	
Net OPEB obligation	160,907	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>1,381,984</u>	
Total Long-Term Obligations		<u>(48,754,920)</u>
Total Net Position - Governmental Activities		<u><u>\$ 73,999,778</u></u>

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

MORONGO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>
REVENUES			
Local Control Funding Formula	\$ 53,834,026	\$ -	\$ -
Federal sources	9,017,835	2,925,575	-
Other State sources	10,567,069	210,409	-
Other local sources	888,956	639,334	27,943
Total Revenues	<u>74,307,886</u>	<u>3,775,318</u>	<u>27,943</u>
EXPENDITURES			
Current			
Instruction	46,721,209	-	-
Instruction-related activities:			
Supervision of instruction	2,737,955	-	-
Instructional library, media, and technology	657,250	-	-
School site administration	5,015,259	-	-
Pupil services:			
Home-to-school transportation	3,178,283	-	-
Food services	6,044	3,907,287	-
All other pupil services	4,276,204	-	-
Administration:			
Data processing	868,980	-	-
All other administration	3,681,477	-	-
Plant services	9,440,461	13,833	42,753
Facility acquisition and construction	42,731	-	8,268,952
Ancillary services	299,573	-	-
Community services	128,533	-	-
Other outgo	137,415	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>77,191,374</u>	<u>3,921,120</u>	<u>8,311,705</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(2,883,488)</u>	<u>(145,802)</u>	<u>(8,283,762)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	10,739	1,496,305
Transfers out	(10,739)	-	-
Net Financing Sources (Uses)	<u>(10,739)</u>	<u>10,739</u>	<u>1,496,305</u>
NET CHANGE IN FUND BALANCES	(2,894,227)	(135,063)	(6,787,457)
Fund Balances - Beginning	22,968,973	236,499	11,183,148
Fund Balances - Ending	<u>\$ 20,074,746</u>	<u>\$ 101,436</u>	<u>\$ 4,395,691</u>

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 53,834,026
-	-	11,943,410
-	1,533,951	12,311,429
647,145	1,924,977	4,128,355
<u>647,145</u>	<u>3,458,928</u>	<u>82,217,220</u>
-	-	46,721,209
-	-	2,737,955
-	-	657,250
-	-	5,015,259
-	-	3,178,283
-	-	3,913,331
-	-	4,276,204
-	-	868,980
5,000	-	3,686,477
56,785	1,910	9,555,742
136,490	3,369,397	11,817,570
-	-	299,573
-	-	128,533
-	-	137,415
-	465,000	465,000
-	1,550,006	1,550,006
<u>198,275</u>	<u>5,386,313</u>	<u>95,008,787</u>
<u>448,870</u>	<u>(1,927,385)</u>	<u>(12,791,567)</u>
-	-	1,507,044
-	(1,496,305)	(1,507,044)
-	(1,496,305)	-
448,870	(3,423,690)	(12,791,567)
11,514,688	6,639,546	52,542,854
<u>\$ 11,963,558</u>	<u>\$ 3,215,856</u>	<u>\$ 39,751,287</u>

MORONGO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds \$ (12,791,567)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlays	\$ 12,050,175	
Depreciation expense	<u>(2,453,383)</u>	9,596,792

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used was more than amounts earned by \$571,646. Vacation used was less than amounts earned by \$24,798. 546,848

In the Statement of Activities, Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$28,755. (28,755)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	465,000
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The accompanying notes are an integral part of these financial statements.

MORONGO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2014

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of premium	\$ 31,994	
Amortization of cost of issuance	<u>(24,114)</u>	
Combined adjustment		\$ 7,880

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$16,041, and second, \$645,715 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(629,674)

An internal service fund is used by the District's management to account for the costs of the self-insurance property and liability program. The change in net position of the internal service fund is reported with governmental activities.

2,603

Change in Net Position of Governmental Activities

\$ (2,830,873)

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

MORONGO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 807,811
Receivables	704
Total Current Assets	<u>\$ 808,515</u>
 NET POSITION	
Unrestricted	<u>\$ 808,515</u>

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

MORONGO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities Internal Service Fund
NON-OPERATING REVENUES	
Interest income	\$ 2,603
Change in Net Position	2,603
Total Net Position - Beginning	805,912
Total Net Position - Ending	<u>\$ 808,515</u>

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

MORONGO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Internal Service Fund Self-Insurance</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 2,505
Net Increase in Cash and Cash Equivalents	2,505
Cash and Cash equivalents - Beginning	805,306
Cash and Cash Equivalents - Ending	<u>\$ 807,811</u>

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

MORONGO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2014

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 313,153
Stores inventories	17,122
Total Assets	<u><u>\$ 330,275</u></u>
 LIABILITIES	
Due to student groups	<u><u>\$ 330,275</u></u>

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Morongo Unified School District (the District) was unified under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates eleven elementary schools, two middle schools, two comprehensive high schools, two continuation high schools, and an independent study program.

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

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.

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).

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.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). 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).

Non-Major Governmental Funds

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

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

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance property and liability fund that is accounted for in an internal service fund.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide 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 direct expenses and program revenues for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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.

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. For the District, available means expected to be received within 90 days of fiscal year-end. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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 held at June 30, 2014, 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.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period.

Stores Inventories

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

Capital Assets and Depreciation

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for property 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/ infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 obligations of the funds.

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Debt Issuance Costs, Premiums and Discounts

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

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

Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are 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 assets are available. The government-wide financial statements report \$15,513,951 of restricted net position.

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 transfers from the General Fund. Operating expenses are for claims paid. 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.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. 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. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 15 and March 15 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 San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 38,125,868
Fiduciary funds	313,153
Total Deposits and Investments	<u>\$ 38,439,021</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 1,028,380
Cash in revolving	35,050
Investments	37,375,591
Total Deposits and Investments	<u>\$ 38,439,021</u>

Policies and Practices

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

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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

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 having the pool purchase 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.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted-Average Days to Maturity</u>
San Bernardino County Investment Pool	<u>\$ 37,405,491</u>	428

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.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2014</u>	<u>Fair Value</u>
San Bernardino County Investment Pool	Not Required	AAA/V1	<u>\$ 37,405,491</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. As of June 30, 2014, the District's bank balance was fully insured.

MORONGO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
Federal Government				
Categorical aid	\$ 708,092	\$ 422,100	\$ -	\$ -
State Government				
State principal apportionment	7,804,658	-	-	-
Categorical aid	1,324,937	25,619	-	-
Lottery	617,765	-	-	-
Local Government				
Interest	19,906	-	5,281	10,119
Other Local Sources	400,715	6,165	-	14,902
Total	<u>\$ 10,876,073</u>	<u>\$ 453,884</u>	<u>\$ 5,281</u>	<u>\$ 25,021</u>

	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government			
Categorical aid	\$ -	\$ -	\$ 1,130,192
State Government			
State principal apportionment	-	-	7,804,658
Categorical aid	-	-	1,350,556
Lottery	-	-	617,765
Local Government			
Interest	973	704	36,983
Other Local Sources	-	-	421,782
Total	<u>\$ 973</u>	<u>\$ 704</u>	<u>\$ 11,361,936</u>

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,958,169	\$ -	\$ -	\$ 1,958,169
Construction in process	29,339,768	9,361,865	3,840,288	34,861,345
Total Capital Assets Not Being Depreciated	<u>31,297,937</u>	<u>9,361,865</u>	<u>3,840,288</u>	<u>36,819,514</u>
Capital Assets Being Depreciated				
Land improvements	11,975,359	3,969,896	-	15,945,255
Buildings and improvements	68,100,989	-	-	68,100,989
Furniture and equipment	7,987,649	2,558,702	-	10,546,351
Total Capital Assets Being Depreciated	<u>88,063,997</u>	<u>6,528,598</u>	<u>-</u>	<u>94,592,595</u>
Less Accumulated Depreciation				
Land improvements	9,263,605	278,951	-	9,542,556
Buildings and improvements	30,205,730	1,576,072	-	31,781,802
Furniture and equipment	6,780,581	598,360	-	7,378,941
Total Accumulated Depreciation	<u>46,249,916</u>	<u>2,453,383</u>	<u>-</u>	<u>48,703,299</u>
Governmental Activities Capital Assets, Net	<u>\$ 73,112,018</u>	<u>\$ 13,437,080</u>	<u>\$ 3,840,288</u>	<u>\$ 82,708,810</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 1,778,623
Supervision of instruction	8,605
Instructional library, media, and technology	33,131
School site administration	66,213
Home-to-school transportation	1,789
Food services	95,578
Ancillary services	4,160
All other pupil services	155
Other general administration	70,078
Data processing	351,608
Plant services	43,443
Total Depreciation Expenses Governmental Activities	<u>\$ 2,453,383</u>

MORONGO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - 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, 2014, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From		
	General Fund	Cafeteria Fund	Total
General Fund	\$ -	\$ 1,159,774	\$ 1,159,774
Cafeteria Fund	10,739	-	10,739
Capital Facilities Fund	220,730	-	220,730
Total	<u>\$ 231,469</u>	<u>\$ 1,159,774</u>	<u>\$ 1,391,243</u>

The balance of \$1,159,774 is due to the General Fund from the Cafeteria Fund for payroll and operating expenses.

The balance of \$220,730 is due to the Capital Facilities Fund from the General Fund for RDA pass-through.

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, 2014, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
Cafeteria Fund	\$ 10,739	\$ -	\$ 10,739
Building Fund	-	1,496,305	1,496,305
Total	<u>\$ 10,739</u>	<u>\$ 1,496,305</u>	<u>\$ 1,507,044</u>

The General Fund transferred to the Cafeteria Fund to cover costs. \$ 10,739

The County School Facilities Non-Major Governmental Fund transferred to the Building Fund for reimbursement of costs. 1,496,305

\$ 1,507,044

MORONGO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Total Governmental Activities
Vendor payables	\$ 3,439,123	\$ 3,418	\$ 284,375	\$ 13,252	\$ 3,740,168
State principal apportionment	805,316	-	-	-	805,316
Salaries and benefits	3,979,907	-	-	-	3,979,907
Construction	-	-	983,976	-	983,976
Total	<u>\$ 8,224,346</u>	<u>\$ 3,418</u>	<u>\$ 1,268,351</u>	<u>\$ 13,252</u>	<u>\$ 9,509,367</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund	Cafeteria Fund	Total Governmental Activities
Federal financial assistance	\$ 156,630	\$ -	\$ 156,630
Other local	214	16,658	16,872
Total	<u>\$ 156,844</u>	<u>\$ 16,658</u>	<u>\$ 173,502</u>

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds payable	\$ 45,923,920	\$ 645,715	\$ 465,000	\$ 46,104,635	\$ 410,000
Premium on issuance	446,604	-	31,994	414,610	-
Supplemental Early Retirement Program (SERP)	2,286,575	-	571,646	1,714,929	571,644
Compensated absences	335,041	24,798	-	359,839	-
Net OPEB obligation	132,152	159,774	131,019	160,907	-
	<u>\$ 49,124,292</u>	<u>\$ 830,287</u>	<u>\$ 1,199,659</u>	<u>\$ 48,754,920</u>	<u>\$ 981,644</u>

- Payments for bonds associated with General Obligation Bonds are made in the Bond Interest and Redemption (Debt Service) Fund.
- Payments for supplemental early retirement program are made in the General Fund.
- Payments for accumulated vacation benefits are typically liquidated in the fund for which the employee worked.
- Payments for the OPEB obligation are typically liquidated in the fund for which the employee worked.

MORONGO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

General Obligation Bonds

The general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2013	Issued	Accreted	Redeemed	Outstanding June 30, 2014
4/25/06	8/1/14	3.88-7.00%	\$ 10,000,000	\$ 310,000	\$ -	\$ -	\$ 140,000	\$ 170,000
6/12/08	8/1/38	4.00-5.25%	21,000,000	19,795,000	-	-	175,000	19,620,000
3/29/12	8/1/42	4.34-12.00%	17,503,998	17,883,920	-	645,715	-	18,529,635
11/29/12	8/1/30	2.00-5.00%	7,935,000	7,935,000	-	-	150,000	7,785,000
			<u>\$ 56,438,998</u>	<u>\$ 45,923,920</u>	<u>\$ -</u>	<u>\$ 645,715</u>	<u>\$ 465,000</u>	<u>\$ 46,104,635</u>

2005 Election, Series A General Obligation Bonds

During April 2006, the Morongo Unified School District issued the 2005 Election, Series A General Obligation Bonds in the amount of \$10,000,000. The bonds contain an original issue premium of \$202,007. The bonds were issued to finance certain capital projects of the District. The bonds mature on August 1, 2014, and yield an interest rate of 3.88 to 7.0 percent. At June 30, 2014, the principal balance outstanding was \$170,000. Unamortized premium received on issuance amounted to \$16,160.

The bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	<u>\$ 170,000</u>	<u>\$ 5,950</u>	<u>\$ 175,950</u>

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

2005 Election, Series B General Obligation Bonds

During June 2008, the Morongo Unified School District issued the 2005 Election, Series B General Obligation Bonds in the amount of \$21,000,000. The bonds were issued to finance certain capital projects of the District. The bonds mature on August 1, 2038, and yield an interest rate of 4.0 to 5.25 percent. At June 30, 2014, the principal balance outstanding was \$19,620,000.

The bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 185,000	\$ 971,669	\$ 1,156,669
2016	195,000	964,069	1,159,069
2017	205,000	956,069	1,161,069
2018	215,000	947,669	1,162,669
2019	160,000	940,169	1,100,169
2020-2024	1,370,000	4,559,859	5,929,859
2025-2029	2,575,000	4,131,059	6,706,059
2030-2034	6,400,000	3,095,044	9,495,044
2035-2039	8,315,000	992,381	9,307,381
Total	<u>\$ 19,620,000</u>	<u>\$ 17,557,988</u>	<u>\$ 37,177,988</u>

2005 Election, Series C General Obligation Bonds

In March 2012, the District issued \$7,370,000 in current interest bonds, \$5,079,668 in capital appreciation bonds, and \$5,054,330 in convertible capital appreciation bonds of the General Obligation Bonds, Election of 2005 Series C. The capital appreciation bonds and convertible capital appreciation bonds accrete interest to a maturity value of \$10,940,332 and \$5,225,670 respectively. The bonds mature on August 1, 2039, August 1, 2032, and August 1, 2042, respectively, with interest yields ranging from 4.34 to 12.00 percent. The proceeds from the sale of the bonds were used to defease a portion of the outstanding 2005 Series A and B bonds and payoff the assessment payable. At June 30, 2014, the principal balance outstanding was \$18,529,635.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

The bonds mature as follows:

Fiscal Year	2005 Current Interest Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Future Interest Accretion
2015	\$ -	\$ 304,013	\$ -	\$ 379,580
2016	-	304,013	39,411	404,680
2017	-	304,013	74,049	426,323
2018	-	304,013	104,059	443,492
2019	-	304,013	818,559	449,323
2020-2024	-	1,520,063	972,129	2,147,798
2025-2029	-	1,520,063	1,202,684	2,165,276
2030-2034	-	1,520,063	2,119,547	2,479,897
2035-2039	-	1,520,063	203,602	1,589,592
2040-2043	7,370,000	825,413	-	-
Total	<u>\$ 7,370,000</u>	<u>\$ 8,425,730</u>	<u>\$ 5,534,040</u>	<u>\$ 10,485,961</u>

Convertible Capital Appreciation Bonds			Total Principal and Interest		
Principal	Future Interest Accretion	Interest	Principal	Future Interest Accretion	Interest
\$ -	\$ 309,408	\$ -	\$ -	\$ 688,988	\$ 304,013
-	326,425	-	39,411	731,105	304,013
-	344,379	-	74,049	770,702	304,013
-	363,319	-	104,059	806,811	304,013
-	383,302	-	818,559	832,625	304,013
-	2,256,901	1,696,200	972,129	4,404,699	3,216,263
5,625,595	670,670	2,827,000	6,828,279	2,835,946	4,347,063
-	-	2,827,000	2,119,547	2,479,897	4,347,063
-	-	1,109,900	203,602	1,589,592	2,629,963
-	-	-	7,370,000	-	825,413
<u>\$ 5,625,595</u>	<u>\$ 4,654,404</u>	<u>\$ 8,460,100</u>	<u>\$ 18,529,635</u>	<u>\$ 15,140,365</u>	<u>\$ 16,885,830</u>

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

2012 General Obligation Refunding Bonds

On November 29, 2012, the District issued \$7,935,000 in General Obligation Refunding Bonds to advance refund \$7,580,000 of outstanding 2005 Series A bonds. The net proceeds of \$8,191,878 (after payment of \$197,479 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to pay interest on the refunded bonds to and including August 1, 2014 (the "Redemption Date"), on which date the refunded bonds will be redeemed at the redemption price for all future debt service payments. As a result, this portion of the 2005 Series A Series bonds are considered to be defeased and the liability for those bonds has been removed from the District's long term obligations. The bonds mature on August 1, 2030, with interest rates ranging from 2.00 to 5.00 percent. At June 30, 2014, the principal balance outstanding was \$7,785,000.

The bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 55,000	\$ 245,300	\$ 300,300
2016	250,000	240,725	490,725
2017	275,000	232,850	507,850
2018	305,000	225,675	530,675
2019	335,000	217,600	552,600
2020-2024	2,210,000	925,100	3,135,100
2025-2029	3,405,000	426,175	3,831,175
2031	950,000	17,250	967,250
Total	<u>\$ 7,785,000</u>	<u>\$ 2,530,675</u>	<u>\$ 10,315,675</u>

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Supplemental Early Retirement Program

The District offered an early retirement incentive to qualified employees during the year. Each retiree receives an annual benefit payment amount predetermined by the retiree. Currently, there are 72 employees participating in this plan, and the District's obligation to those retirees as of June 30, 2014, is \$1,714,929.

Future payments are as follows:

Year Ending June 30,	Amount
2015	\$ 571,644
2016	571,644
2017	571,641
Total	<u>\$ 1,714,929</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$359,839.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$153,166, and contributions made by the District during the year were \$124,584. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$6,608 and \$(6,435), respectively, which resulted in an increase to the net OPEB obligation of \$28,755. As of June 30, 2014, the net OPEB obligation was \$160,907. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

MORONGO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund
Nonspendable			
Revolving cash	\$ 35,000	\$ 50	\$ -
Stores inventories	12,098	101,386	-
Prepaid expenditures	641,383	-	-
Total Nonspendable	<u>688,481</u>	<u>101,436</u>	<u>-</u>
Restricted			
Legally restricted programs	2,922,335	-	-
Capital projects	-	-	4,395,691
Debt services	-	-	-
Total Restricted	<u>2,922,335</u>	<u>-</u>	<u>4,395,691</u>
Committed			
Deferred maintenance program	-	-	-
Other committed	-	-	-
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>
Assigned			
Heath and welfare set aside	521,349	-	-
Flex programs, site, and department carryover	4,377,630	-	-
Other reserve	25,978	-	-
Program reserve	3,148,685	-	-
VOIP Reserve	1,000,000	-	-
Total Assigned	<u>9,073,642</u>	<u>-</u>	<u>-</u>
Unassigned			
Economic uncertainties	2,263,280	-	-
Remaining unassigned	5,127,008	-	-
Total Unassigned	<u>7,390,288</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 20,074,746</u>	<u>\$ 101,436</u>	<u>\$ 4,395,691</u>

Capital Facilities Fund	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 35,050
-	-	113,484
-	-	641,383
-	-	789,917
-	-	2,922,335
11,963,558	139,959	16,499,208
-	2,163,647	2,163,647
11,963,558	2,303,606	21,585,190
-	911,218	911,218
-	1,032	1,032
-	912,250	912,250
-	-	521,349
-	-	4,377,630
-	-	25,978
-	-	3,148,685
-	-	1,000,000
-	-	9,073,642
-	-	2,263,280
-	-	5,127,008
-	-	7,390,288
<u>\$ 11,963,558</u>	<u>\$ 3,215,856</u>	<u>\$ 39,751,287</u>

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 - RISK FINANCING - CLAIMS

Description

The District risk financing activities for liability protection are recorded in the Internal Service Fund. The purpose of the fund is to administer the District's self-insured retention (deductible) portion of its liability insurance program.

The District participates in various public entity risk pools for health coverage and workers' compensation and property exposures (See Note 14 - Participation in Public Entity Risk Pools).

Significant losses are covered by commercial insurance purchased from an independent insurance company and from the Schools Excess Liability Fund.

Claims Liabilities

The District records an estimated claims liability for liability claims filed against it. Claims liabilities are based on estimates of the ultimate cost of reported claims. An estimate for claims incurred, but not yet reported, which is deemed to be an immaterial amount has not been provided. There were no unpaid claims as of June 30, 2014.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The District does not provide a retiree benefit plan. However, because retiree contributions are based on average rates that include active employees, GASB Statement No. 45 requires that a valuation be done to reflect the implicit rate subsidy - i.e. the difference between the cost of retiree benefits and the rates charged retirees. There are currently 67 retirees receiving an implicit subsidy benefit through the District's benefits plan.

Contribution Information

The contribution requirements of retirees and the District are established and may be amended by the District and the Morongo Teachers Association (MTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected "pay-as-you-go" financing requirements. For fiscal year 2013-2014, the actuarially determined amount contributed by the District as an implicit rate subsidy to current retirees was \$124,584.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 153,166
Interest on net OPEB obligation	6,608
Adjustment to annual required contribution	(6,435)
Annual OPEB cost (expense)	<u>153,339</u>
Contributions made	(124,584)
Increase in net OPEB obligation	28,755
Net OPEB obligation, beginning of year	<u>132,152</u>
Net OPEB obligation, end of year	<u><u>\$ 160,907</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 130,531	\$ 114,787	88%	\$ 108,246
2013	153,307	129,401	84%	132,152
2014	153,339	124,584	81%	160,907

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 1, 2013	\$ -	\$ 1,274,938	\$ 1,274,938	0%	\$ 48,426,196	3%

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates used was five percent up to an increase of seven percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2014, was 26 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,914,706, \$2,665,120, and \$2,759,795, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. In addition, the District contributes a 2.3 percent buyout on behalf of its classified bargaining unit employees. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,068,377, \$973,065, and \$979,325, respectively, and equal 100 percent of the required contributions for each year.

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Public Agency Retirement System

The District also contributes to the Public Agency Retirement System (PARS), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by Federal law, all public sector employees who are not members of their employee's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.05 percent for its classified bargaining unit employees and 3.75 percent of all other employee's gross earnings. Classified employees are required to contribute 1.45 percent, while all other employees must contribute 3.75 percent of their gross earnings to the pension plan. During the year, the District's required and actual contributions amounted to \$174,063.

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 \$1,755,203 (5.541 percent of the Districts 2010-2011 creditable compensation subject to STRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - 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, 2014.

Litigation

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Twentynine Palms High School Modernization	\$ 11,142	June 2015
Condor Elementary Modernization	13,110	June 2015
Yucca Valley High School Modernization	1,375,273	June 2015
	<u>\$ 1,399,525</u>	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Hi Desert and Inland Employee and Employer Trust (HDIEET), Southern California Schools Employee Benefit Association (SCSEBA), Schools Excess Liability Fund (SELF), and Southern California Schools Risk Management (SCSRM) public entity risk pools. The District pays an annual premium to each entity for its health, vision and dental, excess liability, and workers' compensation coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2014, the District made payments of \$8,775,815, \$275,773, and \$1,458,518, to HDIEET/SCSEBA, SELF, and SCSR, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

MORONGO UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				Final
				to Actual
REVENUES				
Local Control Funding Formula	\$ 46,966,336	\$ 60,569,660	\$ 53,834,026	\$ (6,735,634)
Federal sources	8,576,830	8,204,098	9,017,835	813,737
Other State sources	16,119,440	6,881,640	10,567,069	3,685,429
Other local sources	613,650	673,760	888,956	215,196
Total Revenues ¹	<u>72,276,256</u>	<u>76,329,158</u>	<u>74,307,886</u>	<u>(2,021,272)</u>
EXPENDITURES				
Current				
Certificated salaries	31,368,213	36,608,460	35,946,470	661,990
Classified salaries	10,329,487	10,938,875	11,065,797	(126,922)
Employee benefits	13,556,331	14,997,811	14,542,242	455,569
Books and supplies	5,436,324	5,350,330	3,859,869	1,490,461
Services and operating expenditures	12,160,201	14,108,567	11,312,810	2,795,757
Capital Outlay	37,000	37,000		37,000
Other outgo	(114,101)	(94,381)	464,186	(558,567)
Debt service				
Principal	39,000	55,783	-	55,783
Interest	14,474	9,000	-	9,000
Total Expenditures ¹	<u>72,826,929</u>	<u>82,011,445</u>	<u>77,191,374</u>	<u>4,820,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(550,673)</u>	<u>(5,682,287)</u>	<u>(2,883,488)</u>	<u>2,798,799</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(10,739)	(10,739)
NET CHANGE IN FUND BALANCE	(550,673)	(5,682,287)	(2,894,227)	2,788,060
Fund Balance - Beginning	22,968,973	22,968,973	22,968,973	-
Fund Balance - Ending	<u>\$ 22,418,300</u>	<u>\$ 17,286,686</u>	<u>\$ 20,074,746</u>	<u>\$ 2,788,060</u>

¹ On behalf payments of \$1,755,203 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

MORONGO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 1, 2013	-	1,274,938	1,274,938	0%	48,426,196	3%

SUPPLEMENTARY INFORMATION

MORONGO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Federal Impact Aid (ESEA, Title VIII)	84.041	10015	\$ 2,424,616
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	753,631
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low Income and Neglected - Reallocation Funds	84.010	14329	2,167,368
Title I, Part A, Program Improvement LEA Corrective Action, Minor Performance Problems	84.010	14955	889,787
Total Title I, Part A Cluster			<u>3,057,155</u>
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	4,860
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	28,400
Passed through San Bernardino County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education Cluster (IDEA):			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,547,178
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	85,123
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	155,051
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	109,022
Preschool Staff Development, Part B, Section 619	84.173A	13431	821
Total Special Education Cluster (IDEA)			<u>1,897,195</u>
Early Intervention Grants, Part C	84.181	23761	48,319
Passed through California Department of Rehabilitation			
Workability II, Transitions Partnership	84.158	10006	150,232
Total U.S. Department of Education			<u>8,364,408</u>

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	\$ 517,875
National School Lunch Program	10.555	13524	2,047,644
Meal Supplement	10.555	13396	51,203
Summer Food Service Program	10.559	13004	77,130
Food Distribution	10.555	13524	<u>231,723</u>
Total U.S. Department of Agriculture			<u><u>2,925,575</u></u>
U.S. DEPARTMENT OF DEFENSE			
Department of Defense Education Activity	12.030	[1]	<u>480,710</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	<u>172,717</u>
Total Federal Programs			<u><u>\$ 11,943,410</u></u>

[1] Direct-funded; no PCA number

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

ORGANIZATION

The Morongo Unified School District was established in 1958, and consists of an area comprising approximately 1,358 square miles. The District operates eleven elementary schools, two middle schools, two comprehensive high schools, two continuation high schools, and an independent study program.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ron Palmer	President	2016
Donna Munoz	Clerk	2014
Karalee Hargrove	Member	2016
Chris Proudfoot	Member	2014
Ed Will	Member	2016

ADMINISTRATION

Tom Baumgarten	Superintendent
Sharon Flores	Assistant Superintendent, Business Services
Debbie Turner	Assistant Superintendent, Instructional Services
Doug Weller	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,833.48	2,814.70
Fourth through sixth	1,878.35	1,870.46
Seventh and eighth	1,178.08	1,168.76
Ninth through twelfth	2,084.32	2,047.02
Total Regular ADA	<u>7,974.23</u>	<u>7,900.94</u>
Extended Year Special Education		
Transitional kindergarten through third	3.86	3.86
Fourth through sixth	3.51	3.51
Seventh and eighth	2.08	2.08
Ninth through twelfth	6.74	6.74
Total Extended Year Special Education	<u>16.19</u>	<u>16.19</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.08	2.32
Fourth through sixth	4.14	4.56
Seventh and eighth	3.72	3.67
Ninth through twelfth	14.26	13.67
Total Special Education, Nonpublic, Nonsectarian Schools	<u>24.20</u>	<u>24.22</u>
Total ADA	<u>8,014.62</u>	<u>7,941.35</u>

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87	Reduced	2013-14 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	53,145	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			52,155	180	N/A	Complied
Grade 2			52,155	180	N/A	Complied
Grade 3			52,155	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			53,820	180	N/A	Complied
Grade 5			53,820	180	N/A	Complied
Grade 6			53,820	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			65,133	180	N/A	Complied
Grade 8			65,133	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			64,884	180	N/A	Complied
Grade 10			64,884	180	N/A	Complied
Grade 11			64,884	180	N/A	Complied
Grade 12			64,884	180	N/A	Complied

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues and other sources	\$ 76,329,158	\$ 74,307,886	\$ 72,158,316	\$ 73,084,463
Expenditures	81,946,662	77,191,374	71,835,387	74,792,615
Other uses and transfers out	-	10,739	-	-
Total Expenditures and Other Uses	81,946,662	77,202,113	71,835,387	74,792,615
INCREASE (DECREASE) IN FUND BALANCE	\$ (5,617,504)	\$ (2,894,227)	\$ 322,929	\$ (1,708,152)
ENDING FUND BALANCE	\$ 14,457,242	\$ 20,074,746	\$ 22,968,973	\$ 22,646,044
AVAILABLE RESERVES ²	\$ 3,960,929	\$ 7,390,288	\$ 10,405,249	\$ 13,505,366
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	4.8%	9.8%	14.8%	18.5%
LONG-TERM OBLIGATIONS	N/A	\$48,754,920	\$49,124,292	\$48,837,797
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,078	8,015	8,007	8,266

The General Fund balance has decreased by \$2,571,298 over the past two years. The fiscal year 2014-2015 budget projects a further decrease of \$5,617,504 (28 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$82,877 over the past two years.

Average daily attendance has decreased by 251 over the past two years. Growth of 63 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$1,755,203, \$1,716,534, and \$1,721,175, has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012, respectively.

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Hope Academy Charter School	No

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 911,455	\$ 139,782	\$ 2,163,647	\$ 3,214,884
Receivables	795	177	-	972
Total Assets	\$ 912,250	\$ 139,959	\$ 2,163,647	\$ 3,215,856
Fund Balances:				
Restricted	\$ -	\$ 139,959	\$ 2,163,647	\$ 2,303,606
Committed	912,250	-	-	912,250
Total Fund Balances	912,250	139,959	2,163,647	3,215,856
Total Liabilities and Fund Balances	\$ 912,250	\$ 139,959	\$ 2,163,647	\$ 3,215,856

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Deferred Maintenance Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES				
Other State sources	\$ -	\$ 1,496,305	\$ 37,646	\$ 1,533,951
Other local sources	2,942	5,796	1,916,239	1,924,977
Total Revenues	<u>2,942</u>	<u>1,502,101</u>	<u>1,953,885</u>	<u>3,458,928</u>
EXPENDITURES				
Current				
Plant services	1,910	-	-	1,910
Facility acquisition and construction	-	3,369,397	-	3,369,397
Debt service				
Principal	-	-	465,000	465,000
Interest and other	-	-	1,550,006	1,550,006
Total Expenditures	<u>1,910</u>	<u>3,369,397</u>	<u>2,015,006</u>	<u>5,386,313</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,032</u>	<u>(1,867,296)</u>	<u>(61,121)</u>	<u>(1,927,385)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,496,305)	-	(1,496,305)
NET CHANGE IN FUND BALANCES	1,032	(3,363,601)	(61,121)	(3,423,690)
Fund Balances - Beginning	911,218	3,503,560	2,224,768	6,639,546
Fund Balances - Ending	<u>\$ 912,250</u>	<u>\$ 139,959</u>	<u>\$ 2,163,647</u>	<u>\$ 3,215,856</u>

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Title II, Part A - Improving Teacher Quality Local Grants	84.367	\$ 13,590

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

Average daily attendance 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 neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

MORONGO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Morongo Unified School District
Twentynine Palms, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Morongo Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Morongo Unified School District's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 8, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Morongo Unified School District
Twentynine Palms, California

Report on Compliance for Each Major Federal Program

We have audited Morongo Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Morongo Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Morongo Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Morongo Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Morongo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Unmodified Opinion on Each Major Federal Program

In our opinion, Morongo Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Morongo Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Morongo Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Morongo Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 8, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Morongo Unified School District
Twenty-nine Palms, California

Report on State Compliance

We have audited Morongo Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Morongo Unified School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Morongo Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Morongo Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Morongo Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Morongo Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes, See Below
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform steps for Work Experience related to continuation education because the program is not offered through the continuation program.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 8, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MORONGO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.367</u>	<u>Title II, Part A, Improving Teacher Quality Local Grants</u>
<u>84.041</u>	<u>Federal Impact Aid (ESEA, Title VIII)</u>
<u>12.030</u>	<u>Department of Defense Education Activity</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 358,302</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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MORONGO UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MORONGO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MORONGO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

MORONGO UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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