

**MORONGO UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2020**

**NIGRO
& NIGRO^{PC}**

MORONGO UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2020

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Morongo Unified School District
Twentynine 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 Morongo Unified School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters*Required Supplementary Information*

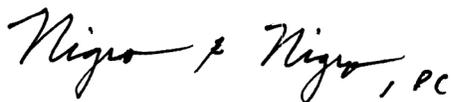
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 69 to 72 and the schedule of expenditures of federal awards on page 73 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 68 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
February 25, 2021

MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

This discussion and analysis of Morongo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$3.4 million.
- Governmental revenues were \$119.0 million. Expenses were \$115.6 million.
- The District acquired over \$7.2 million in new capital assets during the year. Depreciation expense was \$3.2 million.
- The District decreased its outstanding long-term debt other than pensions by about \$1.4 million. This was primarily due to paying down the early retirement incentive obligation.
- Grades K-12 average daily attendance decreased by 117, or 1.5%.
- Governmental funds increased by \$2.6 million, or 6.3%.
- Reserves for the General Fund decreased by \$200,534, or 6.3%. Revenues were \$110.6 million and expenditures were \$105.1 million.

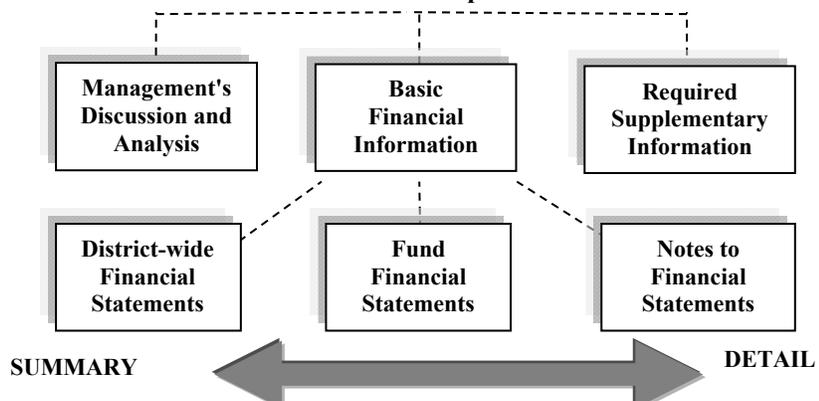
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
 - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Morongo Unified School District's Annual Financial Report



MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has three kinds of funds:

- 1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured activities.

MORONGO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- 3) **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2020, than it was the year before – increasing 700.3% to \$3.9 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Assets			
Current assets	\$ 55,115,955	\$ 49,454,612	\$ 5,661,343
Capital assets	85,813,610	81,766,411	4,047,199
Total assets	140,929,565	131,221,023	9,708,542
Deferred outflows of resources	32,701,347	25,803,255	6,898,092
Liabilities			
Current liabilities	11,652,975	10,352,789	1,300,186
Long-term liabilities	51,697,291	51,263,935	433,356
Net pension liability	94,761,842	87,646,851	7,114,991
Total liabilities	158,112,108	149,263,575	8,848,533
Deferred inflows of resources	11,615,369	7,272,935	4,342,434
Net position			
Net investment in capital assets	41,500,240	36,478,275	5,021,965
Restricted	15,079,145	17,619,856	(2,540,711)
Unrestricted	(52,675,950)	(53,610,363)	934,413
Total net position	\$ 3,903,435	\$ 487,768	\$ 3,415,667

Changes in net position, governmental activities. The District's total revenues increased 4.6% to \$119.0 million (See Table A-2). The increase is due primarily to increased LCFF funding.

The total cost of all programs and services increased 2.1% to \$115.6 million. The District's expenses are predominantly related to educating and caring for students, 80.0%. The purely administrative activities of the District accounted for just 6.6% of total costs. A significant contributor to the increase in costs was increased operational costs due to the COVID pandemic.

MORONGO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Revenues			
Program Revenues:			
Charges for services	\$ 735,846	\$ 503,298	\$ 232,548
Operating grants and contributions	21,340,550	20,913,500	427,050
Capital grants and contributions	2,907	2,833	74
General Revenues:			
Property taxes	11,917,946	10,999,889	918,057
Federal and state aid not restricted	82,076,015	79,881,400	2,194,615
Other general revenues	2,967,650	1,467,449	1,500,201
Total Revenues	119,040,914	113,768,369	5,272,545
Expenses			
Instruction-related	74,533,453	75,650,967	(1,117,514)
Pupil services	18,014,109	16,308,305	1,705,804
Administration	7,635,228	6,584,323	1,050,905
Plant services	12,510,836	11,859,253	651,583
All other activities	2,931,621	2,827,211	104,410
Total Expenses	115,625,247	113,230,059	2,395,188
Increase (decrease) in net position	3,415,667	538,310	2,877,357
Net Position	\$ 3,903,435	\$ 487,768	\$ 3,415,667

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$43.3 million, which is above last year's ending fund balance of \$40.7 million. The primary cause of the increased fund balance is increased federal and state aid.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2019	Revenues	Expenditures	Other Financing Uses and Sources	June 30, 2020
General Fund	\$ 24,208,512	\$ 110,642,554	\$ 105,100,519	\$ -	\$ 29,750,547
Cafeteria Fund	885,282	6,927,136	6,307,578	-	1,504,840
Deferred Maintenance Fund	2,470,184	546,989	717,945	-	2,299,228
Building Fund	9	1	-	-	10
Capital Facilities Fund	10,547,830	1,519,530	5,099,390	-	6,967,970
County School Facilities Fund	147,127	2,908	-	-	150,035
Bond Interest and Redemption Fund	2,459,039	2,477,261	2,316,824	-	2,619,476
Total	\$ 40,717,983	\$ 122,116,379	\$ 119,542,256	\$ -	\$ 43,292,106

MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$4.7 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$1.3 million due to step/column and increased pension costs.
- Other non-personnel expenses – increased \$22,081 to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$1.5 million, the actual results for the year show that revenues exceeded expenditures by roughly \$5.5 million. Actual revenues were \$1.4 million less than anticipated, but expenditures were \$5.5 million less than budgeted.

That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested approximately \$7.2 million in new capital assets, related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was about \$3.2 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Land	\$ 3,152,399	\$ 2,009,471	\$ 1,142,928
Improvement of sites	9,240,344	9,351,163	(110,819)
Buildings	65,590,450	67,977,996	(2,387,546)
Equipment	1,692,884	1,634,487	58,397
Construction in progress	6,137,533	793,294	5,344,239
Total	<u>\$ 85,813,610</u>	<u>\$ 81,766,411</u>	<u>\$ 4,047,199</u>

MORONGO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$51.7 million in long-term debt other than pensions – a decrease of 2.6% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	2020	2019	Increase (Decrease)
General obligation bonds	\$ 47,523,325	\$ 47,915,981	\$ (392,656)
Capital leases	132,030	369,880	(237,850)
Compensated absences	688,376	558,393	129,983
Early retirement incentives	1,301,255	1,951,883	(650,628)
Other postemployment benefits	2,052,305	2,265,142	(212,837)
Total	\$ 51,697,291	\$ 53,061,279	\$ (1,363,988)

Net pension liability increased during the year by \$7.1 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature passed a final budget package on June 26, 2020. The final budget package assumed that \$2 billion in federal funds would be forthcoming and took the Governor's approach in the May Revision to make other spending reductions contingent on other federal money. In addition, relative to the June 15 initial package, the final package made several changes, including increasing school deferrals by \$3.5 billion (assuming no federal money is forthcoming), increasing revenue assumptions by more than \$1 billion, and eliminating the plan to reinstate General Fund payment deferrals. The Governor signed the 2020-21 Budget Act and related budget legislation on June 29, 2020.

Proposition 98

Proposition 98 Establishes Minimum Funding Level for Schools and Community Colleges

This minimum funding requirement is commonly called the minimum guarantee. The state calculates the minimum guarantee by comparing three main formulas or "tests". Each test takes into account certain inputs, such as state General Fund revenue, per capita personal income, and K-12 student attendance. The state can choose to fund at the minimum guarantee or any level above it. It also can suspend the guarantee with a two-thirds vote of each house of the Legislature, allowing the state to provide less funding than the formulas require that year. The state meets the guarantee through a combination of state General Fund and local property tax revenue.

Minimum Funding Requirement Down Significantly in 2019-20 and 2020-21

Estimates of the minimum guarantee under the June 2020 budget plan have dropped significantly compared with June 2019 estimates. For 2019-20, the minimum requirement is down \$3.4 billion (4.2 percent). For 2020-21, the minimum requirement is down \$6.8 billion (8.7 percent) from the revised 2019-20 level and \$10.2 billion (12.5 percent) from the 2019-20 level estimated in June 2019. These drops mainly reflect reductions in state General Fund revenue. Test 1 remains operative in both years, with the drop in the General Fund portion of the guarantee equal to nearly 40 percent of the drop in revenues. The local property tax portion of the guarantee, by contrast, grows slowly from 2019-20 to 2020-21.

MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Budget Plan Implements Significant Payment Deferrals

In both 2019-20 and 2020-21, the budget plan reduces school and community college funding to the lower minimum requirement. It implements these reductions primarily by deferring \$12.5 billion in payments. (When the state defers payments from one fiscal year to the next, the state can reduce spending while allowing school districts to maintain programs by borrowing or using cash reserves.) Of the \$12.5 billion, \$11 billion applies to K-12 schools and \$1.5 billion applies to community colleges. Although the budget plan authorized the Department of Finance to rescind up to \$6.6 billion of the deferrals if the state received additional federal funding by October 15, 2020, Congress did not approve any additional funds prior to this deadline.

Makes a Few Other Spending Adjustments

In addition to the deferrals, the budget plan makes a few other adjustments to school and community college funding. Most notably, it does not provide the 2.31 percent statutory cost-of-living adjustment for school and community college programs in 2020-21. The budget plan also uses \$833 million in one-time funds to cover costs for the K-12 Local Control Funding Formula (LCFF) and community college apportionments in 2019-20 and 2020-21. These one-time funds consist of \$426 million in unspent prior-year funds and a \$407 million settle-up payment. In addition, the budget plan withdraws the entire \$377 million the state deposited into the Proposition 98 Reserve in the fall of 2019. (Formulas in the State Constitution govern Proposition 98 Reserve deposits and withdrawals.) Finally, the budget plan obtains \$240 million in savings (\$110 million in 2019-20 and \$130 million in 2020-21) from eliminating unallocated State Preschool slots.

Creates Supplemental Obligation to Increase Funding Beginning in 2021-22

This obligation has two parts. First, it requires the state to make temporary payments on top of the Proposition 98 guarantee beginning in 2021-22. Each payment will equal 1.5 percent of annual General Fund revenue. The state can allocate these payments for any school or community college purpose. Payments will continue until the state has paid \$12.4 billion—the amount of funding schools and community colleges could have received under Proposition 98 if state revenues had continued to grow. (Technically, the obligation equals the total difference between the Test 1 and Test 2 funding levels in 2019-20 and 2020-21.) Second, the obligation requires the state to increase the minimum share of General Fund revenue allocated to schools and community colleges from 38 percent to 40 percent on an ongoing basis. This increase is set to phase in over the 2022-23 and 2023-24 fiscal years.

K-12 Education

Proposition 98 Funding Decreases 12 Percent

The budget package includes \$62.5 billion in Proposition 98 funding for K-12 education in 2020-21—\$8.7 billion (12.2 percent) less than the 2019-20 Budget Act level.

Defers \$11 Billion in K-12 Payments, Allows Exemptions in Limited Circumstances

The state distributes funding for LCFF and special education following a monthly payment schedule established in law. The budget plan modifies this schedule in 2019-20 to defer \$1.9 billion in payments to the following fiscal year. In 2020-21, the budget plan maintains these deferrals and adopts \$9.1 billion in additional deferrals. Under the modified schedule, portions of the payments otherwise scheduled for the months of February through June will be paid over the July through November period. The total amount deferred equates to about 16 percent of all state and local funding schools receive for LCFF and special education, or 24 percent of the General Fund allocated for these programs. If a district or charter school can demonstrate it would be unable to meet its financial obligations because of the deferrals, and has exhausted all other sources of internal and external borrowing, it can apply for an exemption. The law allows the Department of Finance, State Controller, and State Treasurer to authorize up to \$300 million in deferral exemptions per month. If these exemption requests exceed the funding available, the earliest applications will be approved first.

MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Addresses Historically Low-Funded Special Education Regions

Most state special education funding is provided to Special Education Local Plan Areas (SELPAs) based on total student attendance within the area. (Most SELPAs are regional collaborations of neighboring districts, county offices of education [COEs], and charter schools, though some consist of only a single large district.) Each SELPA receives a unique per-student rate linked to certain historical factors. In 2019-20, these per-student rates varied from \$557 to more than \$900. The budget provides \$545 million to bring low-funded SELPAs to a new rate of \$625 per student. This rate is roughly equivalent to the 93rd percentile of current rates.

Allocates \$6.4 Billion in One-Time Federal Funding

The budget package allocates \$6.4 billion in one-time federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for K-12 education. The majority of funding (\$4.8 billion) is provided for learning loss mitigation. The budget also includes \$1.5 billion that can be used for a variety of activities and is distributed based on counts of low-income and disadvantaged children. The remaining funds are used to provide higher reimbursement rates for some school meals, create a competitive grant program for implementing the community schools model, and cover state costs of allocating and overseeing how CARES Act funds are spent.

Funds Learning Loss Mitigation Activities

The budget package provides \$5.3 billion in one-time funding for activities mitigating learning loss due to coronavirus disease 2019 (COVID-19) school closures. This amount consists of \$4.4 billion from the federal Coronavirus Relief Fund, \$540 million Proposition 98 General Fund, and \$355 million from the federal Governor's Emergency Education Relief Fund. Allocations from the Coronavirus Relief Fund can be used to cover eligible costs incurred between March 1, 2020 and December 30, 2020, while the remainder of the funding covers costs incurred between March 13, 2020 and September 30, 2022. Allowable activities include expanding learning supports, increasing instructional time, offering additional academic services (such as diagnostic assessments and devices and connectivity for distance learning), and addressing other barriers to learning (such as mental health services, professional development for teachers and parents, and student meals). Of this funding, \$2.9 billion is to be allocated based on LCFF supplemental and concentration grants, \$1.5 billion based on the number of students with disabilities, and \$980 million based on total LCFF allocation.

Funds Schools Based on 2019-20 Attendance Levels, Allows Growth Under Certain Conditions

For funding purposes, the state ordinarily credits school districts with their average daily attendance in the current or prior year, whichever is higher. Charter schools and COEs are funded according to their attendance in the current year only. In 2020-21, however, the state will not collect average daily attendance data. Instead, districts, charter schools, and COEs will be funded according to their 2019-20 attendance levels unless they had previously budgeted for attendance growth. Any attendance growth for a district or charter school is limited to the lower of its (1) previously projected increase in enrollment or attendance, as documented in its budget, or (2) actual increase in enrollment from October 2019 to October 2020. (For this calculation, enrollment numbers are converted to an equivalent amount of average daily attendance by adjusting them for the statewide average absence rate.) The trailer legislation also allows a few other attendance-related adjustments. Most notably, if a charter school closes during the 2020-21 school year, the attendance it previously generated will be credited to its sponsoring school district.

Modifies Instructional Requirements to Allow for Distance Learning

The budget package suspends requirements for annual instructional minutes for 2020-21 to provide additional flexibility to schools and allows minimum instructional day requirements be met through a combination of in-person instruction and distance learning. The budget package also sets expectations for distance learning. Among other specified activities, distance learning must be substantially equivalent to in-person instruction; include daily live interaction between teachers and students; and provide appropriate supports to students with disabilities, English learners, and other student subgroups.

MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2020

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Includes Additional Fiscal Flexibility in a Few Areas

Budget trailer legislation includes several changes to provide more spending flexibility for school districts:

- For the purposes of calculating minimum routine maintenance deposits, excludes one-time funding for state pension payments on behalf of school districts, learning loss mitigation funds, and federal Elementary and Secondary School Emergency Relief funds. Typically, school districts receiving funding from the state's School Facility Program are required to establish a restricted account for routine maintenance of school facilities and deposit 3 percent of the district's annual expenditures.
- Allows for proceeds from the sale or lease of surplus property purchased entirely with local funds to be used for one-time general fund purposes through 2023-24.
- For the purpose of spending restricted lottery revenues, permanently expands the definition of instructional materials to also include laptop computers and devices that provide internet access. Schools and community colleges receive about \$450 million in lottery revenues annually that must be spent on instructional materials.
- Allows the California Department of Education (CDE) to waive several programmatic requirements for the After School Education and Safety program.

Repurposes Prior Pension Payment to Reduce District Costs Over the Next Two Years

School district pension costs have been rising relatively quickly over the past several years. To help mitigate future cost increases, the 2019-20 budget plan included \$2.3 billion non-Proposition 98 General Fund to make a supplemental pension payment on behalf of schools and community colleges. Of this amount, \$1.6 billion was for the California State Teachers' Retirement System and \$660 million was for the California Public Employees' Retirement System. (Nearly all school employees are covered by one of these two pension systems.) At the time, the state estimated that the supplemental payment could reduce district pension costs by roughly 0.3 percent of annual pay over the next few decades. The 2020-21 budget plan repurposes this payment to reduce pension costs by a larger amount over the next two years. Specifically, districts will receive cost savings of approximately 2.2 percent of pay in 2020-21 and 2021-22, but will not experience savings over the following decades.

All of these factors were considered in preparing the Morongo Unified School District budget for the 2020-21 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have any questions about this report or need additional financial information, contact Sharon Flores, Assistant Superintendent-Business Services, Morongo Unified School District, 5715 Utah Trail, P.O. Box 1209, Twentynine Palms, California 92277 or by email at sharon_flores@morongo.k12.ca.us.

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Net Position

June 30, 2020

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 35,030,444
Accounts receivable	18,229,980
Inventories	319,096
Prepaid expenses	1,536,435
Capital assets:	
Non-depreciable assets	9,289,932
Depreciable assets	144,374,509
Less accumulated depreciation	(67,850,831)
Total assets	<u>140,929,565</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	30,338,212
Deferred outflows related to OPEB	66,424
Deferred amounts on refunding	2,296,711
Total deferred outflows of resources	<u>32,701,347</u>
LIABILITIES	
Accounts payable	11,068,393
Unearned revenue	584,582
Long-term liabilities other than pensions:	
Due or payable within one year	1,780,404
Due or payable after one year	49,916,887
Net pension liability	94,761,842
Total liabilities	<u>158,112,108</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	11,240,635
Deferred inflows related to OPEB	374,734
Total deferred inflows of resources	<u>11,615,369</u>
NET POSITION	
Net investment in capital assets	41,500,240
Restricted for:	
Capital projects	7,118,005
Debt service	2,619,476
Educational and categorical programs	5,341,664
Unrestricted	(52,675,950)
Total net position	<u>\$ 3,903,435</u>

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instructional Services:					
Instruction	\$ 61,762,853	\$ -	\$ 9,649,484	\$ 2,907	\$ (52,110,462)
Instruction-Related Services:					
Supervision of instruction	3,597,159	-	1,704,466	-	(1,892,693)
Instructional library, media and technology	977,016	-	25,793	-	(951,223)
School site administration	8,196,425	-	274,345	-	(7,922,080)
Pupil Support Services:					
Home-to-school transportation	4,801,148	-	-	-	(4,801,148)
Food services	6,505,068	80,250	6,688,568	-	263,750
All other pupil services	6,707,893	-	1,770,992	-	(4,936,901)
General Administration Services:					
Data processing services	1,916,915	8,497	2,979	-	(1,905,439)
Other general administration	5,718,313	314	777,712	-	(4,940,287)
Plant Services	12,510,836	444,631	318,763	-	(11,747,442)
Ancillary Services	607,880	-	4,565	-	(603,315)
Community Services	263,601	-	52,000	-	(211,601)
Interest on Long-Term Debt	2,043,703	-	-	-	(2,043,703)
Other Outgo	16,437	202,154	70,883	-	256,600
Total Governmental Activities	<u>\$ 115,625,247</u>	<u>\$ 735,846</u>	<u>\$ 21,340,550</u>	<u>\$ 2,907</u>	<u>(93,545,944)</u>
General Revenues:					
Property taxes					11,917,946
Federal and state aid not restricted to specific purpose					82,076,015
Interest and investment earnings					491,209
Miscellaneous					2,476,441
Total general revenues					<u>96,961,611</u>
Change in net position					3,415,667
Net position - July 1, 2019					<u>487,768</u>
Net position - June 30, 2020					<u>\$ 3,903,435</u>

MORONGO UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 23,252,480	\$ 7,212,924	\$ 3,782,960	\$ 34,248,364
Accounts receivable	16,797,519	123,384	1,305,406	18,226,309
Due from other funds	1,046,504	-	-	1,046,504
Inventories	35,224	-	283,872	319,096
Prepaid expenditures	1,536,435	-	-	1,536,435
Total Assets	\$ 42,668,162	\$ 7,336,308	\$ 5,372,238	\$ 55,376,708
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,079,373	\$ 368,338	\$ 5,805	\$ 10,453,516
Due to other funds	-	-	1,046,504	1,046,504
Unearned revenues	539,014	-	45,568	584,582
Total Liabilities	10,618,387	368,338	1,097,877	12,084,602
Fund Balances				
Nonspendable	1,606,659	-	283,942	1,890,601
Restricted	3,836,894	6,967,970	3,990,419	14,795,283
Assigned	23,625,276	-	-	23,625,276
Unassigned	2,980,946	-	-	2,980,946
Total Fund Balances	32,049,775	6,967,970	4,274,361	43,292,106
Total Liabilities and Fund Balances	\$ 42,668,162	\$ 7,336,308	\$ 5,372,238	\$ 55,376,708

MORONGO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2020

Total fund balances - governmental funds		\$ 43,292,106
<p>In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
	Capital assets at historical cost	153,664,441
	Accumulated depreciation	<u>(67,850,831)</u>
		85,813,610
<p>In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:</p>		
		(614,073)
<p>Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:</p>		
		2,296,711
<p>In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources and inflows of resources relating to pensions are reported.</p>		
	Deferred outflows of resources relating to pensions	30,338,212
	Deferred inflows of resources relating to pensions	<u>(11,240,635)</u>
		19,097,577
<p>In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources and inflows of resources relating to OPEB are reported.</p>		
	Deferred outflows of resources relating to OPEB	66,424
	Deferred inflows of resources relating to OPEB	<u>(374,734)</u>
		(308,310)
<p>In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
	General obligation bonds payable	47,523,325
	Capital leases payable	132,030
	Compensated absences payable	688,376
	Early retirement incentives payable	1,301,255
	Other postemployment benefits payable	<u>2,052,305</u>
		(51,697,291)
<p>The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.</p>		
		(94,761,842)
<p>Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. The net position for internal service funds is:</p>		
		<u>784,947</u>
Total net position - governmental activities		<u>\$ 3,903,435</u>

MORONGO UNIFIED SCHOOL DISTRICT

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 86,589,319	\$ -	\$ -	\$ 86,589,319
Federal sources	7,509,131	-	6,410,058	13,919,189
Other state sources	14,913,665	-	433,979	15,347,644
Other local sources	2,177,428	1,519,530	2,563,269	6,260,227
	<u>111,189,543</u>	<u>1,519,530</u>	<u>9,407,306</u>	<u>122,116,379</u>
EXPENDITURES				
Current:				
Instructional services:				
Instruction	62,012,920	-	-	62,012,920
Instruction-related services:				
Supervision of instruction	3,631,787	-	-	3,631,787
Instructional library, media and technology	862,043	-	-	862,043
School site administration	7,987,410	-	-	7,987,410
Pupil support services:				
Home-to-school transportation	4,776,840	-	-	4,776,840
Food services	54,890	-	6,161,730	6,216,620
All other pupil services	6,734,327	-	-	6,734,327
Ancillary services	611,290	-	-	611,290
Community services	260,084	-	-	260,084
General administration services:				
Data processing services	1,497,341	-	-	1,497,341
Other general administration	4,980,121	3,600	-	4,983,721
Plant services	11,574,350	503,153	11,119	12,088,622
Transfers of indirect costs	(134,729)	-	134,729	-
Capital outlay	695,795	4,592,637	-	5,288,432
Intergovernmental transfers	16,437	-	-	16,437
Debt service:				
Principal	237,850	-	663,046	900,896
Interest	19,708	-	1,653,778	1,673,486
	<u>105,818,464</u>	<u>5,099,390</u>	<u>8,624,402</u>	<u>119,542,256</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,371,079	(3,579,860)	782,904	2,574,123
Fund Balances, July 1, 2019	<u>26,678,696</u>	<u>10,547,830</u>	<u>3,491,457</u>	<u>40,717,983</u>
Fund Balances, June 30, 2020	<u>\$ 32,049,775</u>	<u>\$ 6,967,970</u>	<u>\$ 4,274,361</u>	<u>\$ 43,292,106</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 Fiscal Year Ended June 30, 2020

Total net change in fund balances - governmental funds \$ 2,574,123

Amounts reported for governmental activities in the statement of activities are different because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, the cost of capital assets is allocated over its estimated useful life as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	7,248,551	
Depreciation expense:	<u>(3,201,352)</u>	
Net:		4,047,199

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 900,896

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest paid exceeded accreted interest earned by: (344,257)

In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of the premium for the period is: 73,867

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is: (120,352)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 4,459

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis costs and actual employer contributions was: (4,095,260)

In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was: (129,983)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. This year, the decrease in early retirement incentives was: 650,628

In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (130,884)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was (14,769)

Change in net position of governmental activities \$ 3,415,667

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2020

	Governmental Activities
	Internal Service Fund
ASSETS	
Deposits and investments	\$ 782,080
Accounts receivable	<u>3,671</u>
Total assets	785,751
LIABILITIES	
Accounts payable	<u>804</u>
NET POSITION	
Restricted	<u><u>\$ 784,947</u></u>

MORONGO UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2020*

	<u>Governmental Activities Internal Service Fund</u>
OPERATING EXPENSES	
Payments for claims and other operating expenses	\$ 30,500
OPERATING INCOME (LOSS)	(30,500)
NON-OPERATING REVENUES	
Interest income	15,731
Change in net position	(14,769)
Net position, July 1, 2019	799,716
Net position, June 30, 2020	\$ 784,947

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Governmental</u> <u>Activities</u> <u>Internal Service</u> <u>Fund</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Payments to vendors and suppliers	\$ (30,725)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Investment income	<u>16,649</u>
Net increase (decrease) in cash and cash equivalents	(14,076)
Cash and cash equivalents, July 1, 2019	<u>796,156</u>
Cash and cash equivalents, June 30, 2020	<u><u>\$ 782,080</u></u>

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2020

	<u>Student Body Funds</u>
ASSETS	
Deposits	\$ 233,982
Accounts receivable	15,297
Inventories	<u>6,595</u>
Total Assets	<u>\$ 255,874</u>
LIABILITIES	
Accounts payable	\$ 18,874
Due to student groups	<u>237,000</u>
Total Liabilities	<u>\$ 255,874</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morongo Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: This is the chief operating fund for the District. 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. The District also maintains a Deferred Maintenance Fund which does not currently meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Non-Major Governmental Funds

The District reports the following non-major governmental funds:

Special Revenue Funds: 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

Building Fund: This 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.

County School Facilities Fund: This fund is used primarily to account 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 17070.10 et seq.).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the 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. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions (continued)

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.

C. Budgetary Data

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

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-50 years
Improvements/Infrastructure	5-50 years
Equipment	2-15 years

4. 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 that have not met eligibility requirements 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Postemployment Benefits Other Than Pensions (OPEB)

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

8. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

Fund balance measures the net financial resources available to finance expenditures of future periods. The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Education.

Fund Balance of the District may be committed for a specific source by formal action of the Board of Education. Amendments or modification to the committed fund balance must also be approved by formal action of the Board of Education. Committed fund balance does not lapse at year-end. The formal action required to commit fund balance shall be by board resolution or majority vote.

The Board of Education delegates authority to assign fund balance for a specific purpose to the Associate Superintendent, Business Services of the District with notification at the next scheduled Board Meeting to the Board of Education.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance.

The District currently adheres to the state mandated minimal level of fund balance as outlined in Title V of the California Code of Regulations Section 15443, Reserve.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncement

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

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

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

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

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

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

GASB pronouncements which will be effective in future periods, are as follows:

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

3. (continued)

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

6. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:
 - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
 - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
 - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
 - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. (continued)

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

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

Earlier application is encouraged and is permitted by topic.

7. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

7. (continued)

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

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

8. (continued)

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 34,248,364
Proprietary funds	782,080
Governmental Activities	<u>35,030,444</u>
Fiduciary funds	<u>233,982</u>
Total deposits and investments	<u><u>\$ 35,264,426</u></u>

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

Cash on hand and in banks	\$ 1,248,037
Cash in revolving fund	35,070
Investments	<u>33,981,319</u>
Total deposits and investments	<u><u>\$ 35,264,426</u></u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2020, \$905,129 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2020, consist of the following:

	Reported Amount	Less Than One Year	Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	\$ 33,981,319	\$ 33,981,319	\$ -	Uncategorized	N/A

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2020, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District had no investments outside the County Treasury.

Fair Value Measurements

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

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the San Bernardino County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Self- Insurance Fund
Federal Government:					
Categorical aid programs	\$ 2,425,787	\$ -	\$ 1,237,892	\$ 3,663,679	\$ -
State Government:					
LCFF	12,706,721	-	-	12,706,721	-
Child nutrition	-	-	66,828	66,828	-
Lottery	410,541	-	-	410,541	-
Categorical aid programs	737,562	-	-	737,562	-
Local:					
Interest	118,986	39,575	686	159,247	3,671
Other local sources	397,922	83,809	-	481,731	-
Total	<u>\$ 16,797,519</u>	<u>\$ 123,384</u>	<u>\$ 1,305,406</u>	<u>\$ 18,226,309</u>	<u>\$ 3,671</u>

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2020, consisted of the following:

Cafeteria Fund due to General Fund for payroll and operating expenses	<u>\$ 1,046,504</u>
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MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 5 – FUND BALANCES

At June 30, 2020, fund balances of the District's governmental funds were classified as follows:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 35,000	\$ -	\$ 70	\$ 35,070
Stores inventories	35,224	-	283,872	319,096
Prepaid expenditures	1,536,435	-	-	1,536,435
Total Nonspendable	<u>1,606,659</u>	<u>-</u>	<u>283,942</u>	<u>1,890,601</u>
Restricted:				
Categorical programs	3,836,894	-	-	3,836,894
Food service program	-	-	1,220,898	1,220,898
Capital projects	-	6,967,970	150,045	7,118,015
Debt service	-	-	2,619,476	2,619,476
Total Restricted	<u>3,836,894</u>	<u>6,967,970</u>	<u>3,990,419</u>	<u>14,795,283</u>
Assigned:				
Other assigned	21,326,048	-	-	21,326,048
Deferred maintenance program	2,299,228	-	-	2,299,228
Total Assigned	<u>23,625,276</u>	<u>-</u>	<u>-</u>	<u>23,625,276</u>
Unassigned:				
Reserve for economic uncertainties	3,153,016	-	-	3,153,016
Remaining unassigned balances	(172,070)	-	-	(172,070)
Total Unassigned	<u>2,980,946</u>	<u>-</u>	<u>-</u>	<u>2,980,946</u>
Total	<u>\$ 32,049,775</u>	<u>\$ 6,967,970</u>	<u>\$ 4,274,361</u>	<u>\$ 43,292,106</u>

MORONGO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2019	Additions	Deletions	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	\$ 2,009,471	\$ 1,142,928	\$ -	\$ 3,152,399
Construction in progress	793,294	5,344,239	-	6,137,533
Total capital assets not being depreciated	<u>2,802,765</u>	<u>6,487,167</u>	<u>-</u>	<u>9,289,932</u>
Capital assets being depreciated:				
Improvement of sites	20,711,662	404,646	-	21,116,308
Buildings	110,838,251	-	-	110,838,251
Equipment	12,167,613	356,738	104,401	12,419,950
Total capital assets being depreciated	<u>143,717,526</u>	<u>761,384</u>	<u>104,401</u>	<u>144,374,509</u>
Accumulated depreciation for:				
Improvement of sites	(11,360,499)	(515,465)	-	(11,875,964)
Buildings	(42,860,255)	(2,387,546)	-	(45,247,801)
Equipment	(10,533,126)	(298,341)	(104,401)	(10,727,066)
Total accumulated depreciation	<u>(64,753,880)</u>	<u>(3,201,352)</u>	<u>(104,401)</u>	<u>(67,850,831)</u>
Total capital assets being depreciated, net	78,963,646	(2,439,968)	-	76,523,678
Governmental activities capital assets, net	<u>\$ 81,766,411</u>	<u>\$ 4,047,199</u>	<u>\$ -</u>	<u>\$ 85,813,610</u>

Depreciation expense is allocated to the following functions in the Statement of Activities:

Instruction	\$ 2,519,656
Instruction Supervision and Administration	10,518
Instruction Library, Media and Technology	31,872
School Site Administration	68,607
Home-to-School Transportation	1,721
Food Services	65,801
All Other Pupil Services	649
Ancillary Services	7,408
All Other General Administration	79,447
Centralized Data Processing	272,149
Plant Services	<u>143,524</u>
Total	<u>\$ 3,201,352</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Balance,			Balance,		Amount Due
	July 1, 2019	Additions	Deductions	June 30, 2020	Within One Year	
General Obligation Bonds:						
Principal	\$ 43,628,070	\$ -	\$ 663,046	\$ 42,965,024	\$ 717,256	
Accreted Interest Component	2,997,718	516,211	171,954	3,341,975	207,744	
Unamortized Issuance Premium	1,290,193	-	73,867	1,216,326	73,867	
Subtotal Bonds	<u>47,915,981</u>	<u>516,211</u>	<u>908,867</u>	<u>47,523,325</u>	<u>998,867</u>	
Capital Leases	369,880	-	237,850	132,030	130,910	
Compensated Absences	558,393	129,983	-	688,376	-	
Early Retirement Incentive	1,951,883	-	650,628	1,301,255	650,627	
Other Postemployment Benefits	2,265,142	303,777	516,614	2,052,305	-	
Totals	<u>\$ 53,061,279</u>	<u>\$ 949,971</u>	<u>\$ 2,313,959</u>	<u>\$ 51,697,291</u>	<u>\$ 1,780,404</u>	

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Payments for supplemental early retirement program are made in the General Fund. Payments for compensated absences and OPEB benefits are typically liquidated in the fund for which the employee worked. Payments for capital leases are made by the General Fund.

A. General Obligation Bonds

Election of 2005 (Measure O)

Bonds were authorized at an election of the registered voters of the District held on November 8, 2005, which authorized the issuance of \$48,150,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020, none of the defeased debt remains outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2020, deferred amounts on refunding were \$2,296,711.

A summary of all bonds issued and outstanding at June 30, 2020 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Issuances	Redemptions	Balance, June 30, 2020
Election of 2005 (Measure O)								
Series C	3/29/2012	8/1/2042	4.34% - 12.00%	\$ 17,147,652	\$ 12,868,070	\$ -	\$ 128,046	\$ 12,740,024
Refunding Bonds								
2012 Ref.	11/29/2012	8/1/2030	2.0% - 5.0%	7,935,000	6,565,000	-	375,000	6,190,000
2018 Ref.	4/4/2018	8/1/2039	2.0% - 5.0%	24,510,000	24,195,000	-	160,000	24,035,000
					<u>\$ 43,628,070</u>	<u>\$ -</u>	<u>\$ 663,046</u>	<u>\$ 42,965,024</u>
Accreted Interest:								
CABs					\$ 639,416	\$ 111,827	\$ 171,954	\$ 579,289
Convertible CABs					<u>2,358,302</u>	<u>404,384</u>	<u>-</u>	<u>2,762,686</u>
					<u>\$ 2,997,718</u>	<u>\$ 516,211</u>	<u>\$ 171,954</u>	<u>\$ 3,341,975</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding at June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Totals
2020-2021	\$ 717,256	\$ 1,672,667	\$ 2,389,924
2021-2022	791,780	1,693,169	2,484,949
2022-2023	871,860	1,704,363	2,576,224
2023-2024	1,280,000	1,385,624	2,665,624
2024-2025	1,425,000	1,326,999	2,751,999
2025-2030	6,980,000	8,249,569	15,229,569
2030-2035	8,390,000	7,046,366	15,436,366
2035-2040	11,663,156	5,105,909	16,769,066
2040-2043	10,845,971	1,021,144	11,867,114
	<u>\$ 42,965,024</u>	<u>\$ 29,205,810</u>	<u>\$ 72,170,834</u>

B. Capital Leases

The District leases equipment valued at \$1,197,503 under agreements that provide for title to pass upon expiration of the lease period and where the lease term is most of the equipment's useful life. Future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2020-21	\$ 130,910	\$ 3,144	\$ 134,054
2021-22	1,120	27	1,147
Total	<u>\$ 132,030</u>	<u>\$ 3,171</u>	<u>\$ 135,201</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the project.

C. Early Retirement

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2020, for these obligations are shown below.

Fiscal Year	Payment
2020-2021	\$ 650,627
2021-2022	650,628
Total	<u>\$ 1,301,255</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability

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

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 1,613,166	\$ 66,424	\$ 374,734	\$ 223,192
MPP Program	439,139	-	-	16,701
Total	<u>\$ 2,052,305</u>	<u>\$ 66,424</u>	<u>\$ 374,734</u>	<u>\$ 239,893</u>

The details of each plan are as follows:

District Plan

Plan description

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The postretirement health plan provides medical only coverage for retirees and their dependents until age 65. Retirees must have 10 years of service with the District and must retire from the applicable retirement system. The District requires that the retiree pay 100% of the premium; however, since retiree premium rates do not support retiree claims and related expenses, there is an "implicit rate subsidy" which is considered to be a District contribution equal to 20.1% of the premium.

Employees covered by benefit terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	56
Active employees	558
Total	<u>614</u>

Total OPEB Liability

The District's total OPEB liability of \$1,613,166 for the Plan was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Inflation	2.75 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-related costs	Retirees pay 100% of premiums

Discount Rate

The discount rate of 2.20 percent is based on the Bond Buyer 20 Bond Index.

Mortality Rates

The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS, the 2017 CalPERS Mortality table for Retired Miscellaneous Employees and the 2017 CalPERS Mortality table for Active Miscellaneous Employees. CalSTRS and CalPERS periodically study mortality for participating agencies and establish mortality tables that are modified versions of commonly used tables. These tables incorporate mortality projection as deemed appropriate based on analysis.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	<u>\$ 1,842,704</u>
Changes for the year:	
Service cost	184,183
Interest	65,810
Differences between expected and actual experience	(407,606)
Changes of assumptions	37,083
Benefit payments	(109,008)
Net changes	<u>(229,538)</u>
Balance at June 30, 2020	<u>\$ 1,613,166</u>

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

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

Discount Rate	OPEB Liability
1% decrease	\$ 1,714,487
Current discount rate	\$ 1,613,166
1% increase	\$ 1,515,533

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 1,442,836
Current trend rate	\$ 1,613,166
1% increase	\$ 1,813,772

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$223,192. In addition, at June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 374,734
Changes of assumptions	66,424	-
Total	<u>\$ 66,424</u>	<u>\$ 374,734</u>

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 12.4 years, and for the 2018-19 measurement period it is 12.5 years.

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 6,071	\$ 32,872
2022	6,071	32,872
2023	6,071	32,872
2024	6,071	32,872
2025	6,071	32,872
Thereafter	36,069	210,374
	<u>\$ 66,424</u>	<u>\$ 374,734</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

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

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2019, 5,744 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

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

Total OPEB Liability

At June 30, 2020, the District reported a liability of \$439,139 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2020</u>	<u>Fiscal Year Ending June 30, 2019</u>	
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Proportion of the Net OPEB Liability	0.117922%	0.110364%	0.007559%

For the year ended June 30, 2020, the District reported OPEB expense of \$16,701.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2019
Valuation Date	June 30, 2018
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

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

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

Discount Rate

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

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

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

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

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 479,201
Current discount rate	\$ 439,139
1% increase	\$ 402,304

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

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 400,156
Current trend rate	\$ 439,139
1% increase	\$ 483,814

NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension 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).

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 68,908,575	\$ 23,808,604	\$ 10,204,414	\$ 9,385,263
CalPERS	25,853,268	6,529,608	1,036,221	5,720,390
Total	<u>\$ 94,761,842</u>	<u>\$ 30,338,212</u>	<u>\$ 11,240,635</u>	<u>\$ 15,105,654</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS)

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state’s General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers’ share of the unfunded actuarial obligation of the DB Program.

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were \$7,319,772.

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

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

District's proportionate share of net pension liability	\$	68,908,575
State's proportionate share of the net pension liability associated with the District		<u>37,594,228</u>
Total	<u>\$</u>	<u>106,502,802</u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		Change Increase/ (Decrease)
	<u>Fiscal Year Ending June 30, 2020</u>	<u>Fiscal Year Ending June 30, 2019</u>	
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Proportion of the Net Pension Liability	0.076297%	0.070182%	0.006116%

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$9,385,263. In addition, the District recognized pension expense and revenue of \$1,028,564 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,319,772	\$ -
Net change in proportionate share of net pension liability	7,440,748	5,449,572
Difference between projected and actual earnings on pension plan investments	158,698	2,813,078
Changes of assumptions	8,715,428	-
Differences between expected and actual experience	173,958	1,941,764
Total	<u>\$ 23,808,604</u>	<u>\$ 10,204,414</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 3,578,276	\$ 1,655,472
2022	3,578,276	3,498,049
2023	3,578,276	1,680,650
2024	3,313,829	1,112,999
2025	974,557	1,135,108
Thereafter	1,465,618	1,122,136
Total	<u>\$ 16,488,832</u>	<u>\$ 10,204,414</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

The long-term investment rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

For each future valuation, CalSTRS' independent consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	4.8%
Fixed Income	12%	1.3%
Real Estate	13%	3.6%
Private Equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation Sensitive	4%	3.3%
Cash/Liquidity	2%	(0.4%)

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 102,610,572
Current discount rate (7.10%)	68,908,575
1% increase (8.10%)	40,963,201

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 pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$5,244,010.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

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

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided

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

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

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above, and the total District contributions were \$2,662,057.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$25,853,268. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.088708%	0.086806%	0.001902%

For the year ended June 30, 2020, the District recognized pension expense of \$5,720,390. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,662,057	\$ -
Net change in proportionate share of net pension liability	454,209	491,766
Difference between projected and actual earnings on pension plan investments	304,661	544,455
Changes of assumptions	1,230,696	-
Differences between expected and actual experience	1,877,985	-
Total	<u>\$ 6,529,608</u>	<u>\$ 1,036,221</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 2,336,387	\$ 168,476
2022	915,607	641,283
2023	404,878	226,462
2024	200,456	-
2025	10,223	-
Thereafter	-	-
Total	\$ 3,867,551	\$ 1,036,221

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2018
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 37,265,786
Current discount rate (7.15%)	25,853,268
1% increase (8.15%)	16,385,796

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2020, the District reported payables of \$661,862 and \$13,369 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 9 – JOINT VENTURES

The Morongo Unified School District participates in joint ventures under joint powers agreements with the High 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 relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage as well as health and welfare benefits coverage. The JPAs are governed by a board consisting of a representative from each member district. The Board of Education controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the Board of Education. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Financial information for each JPA is separately available.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments

As of June 30, 2020, the District had no commitments with respect to unfinished capital projects.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2020.

D. Impact of COVID-19

On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a “distance learning” environment.

In response, the District announced the closing of all schools in mid-March. With nearly all districts in California shut down to stem the spread of COVID-19, officials statewide hastily put in place plans to deliver “grab and go” meals with minimal contact between cafeteria staff, volunteers and families in need. In addition, the District worked to implement distance learning for all students for the remainder of the 2019-20 school year.

A companion bill to Executive Order N-26-20, Senate Bill 117 changed the method used by the District to calculate average daily attendance (ADA) for both the P-2 and Annual period apportionment to include all full school months from July 1, 2019 to February 29, 2020. As events unfold and changes are made on a daily basis, the future impacts of COVID-19 on the District’s operations are not fully known at this time.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. During fiscal year ending June 30, 2020, the District participated in the Schools Excess Liability Fund public entity risk pool for property and liability insurance coverage.

Workers' Compensation

For fiscal year 2019-20, the District participated in Southern California Risk Management for workers compensation.

Employee Medical Benefits

The District has contracted with High Desert and Inland Empire/Employer Trust and Southern California Schools Employee Benefits Association to provide employee medical, vision, and dental benefits.

Required Supplementary Information

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MORONGO UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
LCFF Sources	\$ 85,631,379	\$ 86,119,342	\$ 86,089,319	\$ (30,023)
Federal Sources	8,172,124	9,609,664	7,509,131	(2,100,533)
Other State Sources	12,341,437	14,695,100	14,913,665	218,565
Other Local Sources	1,199,454	1,624,608	2,130,439	505,831
Total Revenues	<u>107,344,394</u>	<u>112,048,714</u>	<u>110,642,554</u>	<u>(1,406,160)</u>
Expenditures				
Current:				
Certificated Salaries	44,654,433	44,871,358	44,083,089	788,269
Classified Salaries	16,066,592	15,471,205	15,138,594	332,611
Employee Benefits	26,220,469	27,945,535	27,275,371	670,164
Books and Supplies	5,610,231	5,330,402	4,007,901	1,322,501
Services and Other Operating Expenditures	16,192,041	16,327,829	14,124,908	2,202,921
Indirect Costs	(267,056)	(134,729)	(134,729)	(0)
Capital Outlay	715,973	729,053	572,509	156,544
Intergovernmental Transfers	13,237	33,952	32,876	1,076
Total Expenditures	<u>109,205,920</u>	<u>110,574,605</u>	<u>105,100,519</u>	<u>5,474,086</u>
Net Change in Fund Balance	(1,861,526)	1,474,109	5,542,035	4,067,926
Fund Balances, July 1, 2019	<u>18,318,776</u>	<u>21,467,589</u>	<u>24,208,512</u>	<u>2,740,923</u>
Fund Balances, June 30, 2020	<u>\$ 16,457,250</u>	<u>\$ 22,941,698</u>	<u>29,750,547</u>	<u>\$ 6,808,849</u>
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
			<u>2,299,228</u>	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$ 32,049,775</u>	

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020

	<i>Last Ten Fiscal Years*</i>					
	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
CalSTRS						
District's proportion of the net pension liability	<u>0.0763%</u>	<u>0.0702%</u>	<u>0.0781%</u>	<u>0.0760%</u>	<u>0.0760%</u>	<u>0.0720%</u>
District's proportionate share of the net pension liability	<u>\$ 68,908,575</u>	<u>\$ 64,501,730</u>	<u>\$ 72,209,767</u>	<u>\$ 61,469,560</u>	<u>\$ 51,317,105</u>	<u>\$ 42,153,464</u>
State's proportionate share of the net pension liability associated with the District	<u>37,594,228</u>	<u>36,930,257</u>	<u>42,718,688</u>	<u>34,998,676</u>	<u>27,141,019</u>	<u>25,454,337</u>
Totals	<u>\$ 106,502,802</u>	<u>\$ 101,431,987</u>	<u>\$ 114,928,455</u>	<u>\$ 96,468,236</u>	<u>\$ 78,458,124</u>	<u>\$ 67,607,801</u>
District's covered-employee payroll	<u>\$ 41,368,925</u>	<u>\$ 38,451,185</u>	<u>\$ 40,322,409</u>	<u>\$ 37,465,079</u>	<u>\$ 45,270,304</u>	<u>\$ 38,178,242</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>166.57%</u>	<u>167.75%</u>	<u>179.08%</u>	<u>164.07%</u>	<u>113.36%</u>	<u>110.41%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS						
District's proportion of the net pension liability	<u>0.0887%</u>	<u>0.0868%</u>	<u>0.0901%</u>	<u>0.0904%</u>	<u>0.0897%</u>	<u>0.0887%</u>
District's proportionate share of the net pension liability	<u>\$ 25,853,268</u>	<u>\$ 23,145,121</u>	<u>\$ 21,501,450</u>	<u>\$ 17,854,056</u>	<u>\$ 13,222,512</u>	<u>\$ 10,072,581</u>
District's covered-employee payroll	<u>\$ 13,161,865</u>	<u>\$ 12,456,423</u>	<u>\$ 13,004,853</u>	<u>\$ 9,674,441</u>	<u>\$ 9,737,732</u>	<u>\$ 10,810,294</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>196.43%</u>	<u>185.81%</u>	<u>165.33%</u>	<u>184.55%</u>	<u>135.79%</u>	<u>93.18%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2020

	<i>Last Ten Fiscal Years*</i>					
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
CalSTRS						
Contractually required contribution	\$ 7,319,772	\$ 6,734,861	\$ 5,548,506	\$ 5,072,559	\$ 4,020,003	\$ 3,149,705
Contributions in relation to the contractually required contribution	<u>7,319,772</u>	<u>6,734,861</u>	<u>5,548,506</u>	<u>5,072,559</u>	<u>4,020,003</u>	<u>3,149,705</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 42,805,683</u>	<u>\$ 41,368,922</u>	<u>\$ 38,451,185</u>	<u>\$ 40,322,409</u>	<u>\$ 37,465,079</u>	<u>\$ 45,270,304</u>
Contributions as a percentage of covered-employee payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>6.96%</u>
CalPERS						
Contractually required contribution	\$ 2,662,057	\$ 2,377,296	\$ 1,934,607	\$ 1,806,114	\$ 1,146,131	\$ 1,215,077
Contributions in relation to the contractually required contribution	<u>2,662,057</u>	<u>2,377,296</u>	<u>1,934,607</u>	<u>1,806,114</u>	<u>1,146,131</u>	<u>1,215,077</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 13,498,590</u>	<u>\$ 13,161,864</u>	<u>\$ 12,456,423</u>	<u>\$ 13,004,853</u>	<u>\$ 9,674,441</u>	<u>\$ 9,737,732</u>
Contributions as a percentage of covered-employee payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>12.478%</u>

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

MORONGO UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios**For the Fiscal Year Ended June 30, 2020*

Last Ten Fiscal Years*

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 184,183	\$ 171,314	\$ 166,729
Interest	65,810	59,916	60,221
Differences between expected and actual experience	(407,606)	-	-
Changes of assumptions or other inputs	37,083	38,492	-
Benefit payments	(109,008)	(106,471)	(102,376)
Net change in total OPEB liability	(229,538)	163,251	124,574
Total OPEB liability - beginning	1,842,704	1,679,453	1,554,879
Total OPEB liability - ending	<u>\$ 1,613,166</u>	<u>\$ 1,842,704</u>	<u>\$ 1,679,453</u>
Covered-employee payroll	<u>\$ 56,958,875</u>	<u>\$ 55,434,429</u>	<u>\$ 53,950,782</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>2.83%</u>	<u>3.32%</u>	<u>3.11%</u>

Notes to Schedule:

A discount rate of 2.20% was used in the valuation. The interest rate used in the prior valuation was 3.50%.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

MORONGO UNIFIED SCHOOL DISTRICT

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2020*

Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	<u>0.1179%</u>	<u>0.1104%</u>	<u>0.1243%</u>
District's proportionate share of net OPEB liability	<u>\$ 439,139</u>	<u>\$ 422,438</u>	<u>\$ 522,830</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>(0.81%)</u>	<u>0.40%</u>	<u>0.01%</u>

Notes to Schedule:

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

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

MORONGO UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions

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

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

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

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

MORONGO UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The discount rate was changed from 3.87 percent to 3.50 percent since the previous valuation.

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Supplementary Information

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MORONGO UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2020

The Morongo Unified School District was established in 1958. The District boundaries encompass an area of approximately 1,358 square miles in the Mojave Desert in San Bernardino County. The District serves the communities of Morongo Valley, the Town of Yucca Valley, Pioneertown, Landers, Joshua Tree, the City of Twentynine Palms, and the Marine Corps Air Ground Task Force Training Center at Twentynine Palms. The District currently operates eleven elementary schools, two middle schools, two comprehensive high schools, one continuation high school, and an independent study program.

BOARD OF EDUCATION

Member	Office	Term Expires
L. Hilary Slotta	President	2022
Kerri Condley	Clerk	2020
John Cole	Member	2020
Karalee Hargrove	Member	2020
Chris Proudfoot	Member	2022

DISTRICT ADMINISTRATORS

Tom Baumgarten,¹
Superintendent

Sharon Flores,
Assistant Superintendent, Business Services

Amy Woods,
Assistant Superintendent, Instructional Services

Michael Ghelber,
Assistant Superintendent, Human Resources

¹ Retired effective June 30, 2020. The Interim Superintendent is Doug Weller.

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2020

	Second Period Report	Annual Report
	Certificate No. (89E78EB2)	Certificate No. (57B6E412)
Regular ADA:		
Grades TK-3	2,754.26	2,754.26
Grades 4-6	1,870.12	1,870.12
Grades 7-8	1,187.27	1,187.27
Grades 9-12	2,108.17	2,108.17
	<hr/>	<hr/>
Total Regular ADA	7,919.82	7,919.82
	<hr/>	<hr/>
Special Education, Nonpublic, Nonsectarian Schools:		
Grades 4-6	1.23	1.23
Grades 7-8	1.46	1.46
Grades 9-12	1.03	1.03
	<hr/>	<hr/>
Total Regular ADA	3.72	3.72
	<hr/>	<hr/>
Total ADA	7,923.54	7,923.54
	<hr/> <hr/>	<hr/> <hr/>

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2020

<u>Grade Level</u>	<u>Requirement</u>	<u>2019-20 Offered Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	56,760	180	Complied
Grade 1	50,400	52,365	180	Complied
Grade 2	50,400	52,365	180	Complied
Grade 3	50,400	52,365	180	Complied
Grade 4	54,000	54,135	180	Complied
Grade 5	54,000	54,160	180	Complied
Grade 6	54,000	54,160	180	Complied
Grade 7	54,000	65,379	180	Complied
Grade 8	54,000	65,379	180	Complied
Grade 9	64,800	65,220	180	Complied
Grade 10	64,800	65,220	180	Complied
Grade 11	64,800	65,220	180	Complied
Grade 12	64,800	65,220	180	Complied

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2021 ²	2020 ³	2019	2018
Revenues and other financing sources	\$ 120,014,711	\$ 110,642,554	\$ 106,940,062	\$ 99,060,336
Expenditures and other financing uses	<u>120,417,220</u>	<u>105,100,519</u>	<u>106,049,349</u>	<u>95,408,563</u>
Change in fund balance (deficit)	<u>(402,509)</u>	<u>5,542,035</u>	<u>890,713</u>	<u>3,651,773</u>
Ending fund balance	<u>\$ 29,348,038</u>	<u>\$ 29,750,547</u>	<u>\$ 24,208,512</u>	<u>\$ 23,317,799</u>
Available reserves ¹	<u>\$ 26,806,643</u>	<u>\$ 2,980,946</u>	<u>\$ 3,181,480</u>	<u>\$ 2,862,257</u>
Available reserves as a percentage of total outgo	<u>22.3%</u>	<u>2.8%</u>	<u>3.0%</u>	<u>3.0%</u>
Total long-term debt	<u>\$ 144,542,216</u>	<u>\$ 146,459,133</u>	<u>\$ 140,708,130</u>	<u>\$ 148,024,564</u>
Average daily attendance at P-2	<u>N/A</u>	<u>7,924</u>	<u>8,041</u>	<u>8,053</u>

The General Fund balance has increased by \$6.4 million over the past two years. The fiscal year 2020-21 adopted budget projects a decrease of \$402,509. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in none of the past three years, but anticipates incurring an operating deficit during the 2020-21 fiscal year. Long-term debt has decreased by \$1.5 million over the past two years.

Average daily attendance has decreased by 129 over the past two years. No ADA will be reported in 2020-21.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Revised budget September, 2020.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

In 2019-20, the District expended \$172,070 of CARES Act funds prior to receiving the revenue. Without this expenditure, the District's reserves are at the required 3.0%

MORONGO UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2020*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S.Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 763,393	
National School Lunch Program	10.555	13523	2,539,436	
Seamless Summer Option	10.555	13523	1,715,203	
USDA Donated Foods	10.555	N/A	<u>439,394</u>	
Total Child Nutrition Cluster				\$ 5,457,426
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	890,603	
CACFP in Lieu of Commodities	10.558	13391	<u>62,029</u>	
Total Child and Adult Care Food Program Cluster				<u>952,632</u>
Total U.S.Department of Agriculture				<u>6,410,058</u>
U.S. Department of Defense:				
Education Activity Grant				
	12.030	N/A		<u>80,701</u>
Total U.S. Department of Defense				<u>80,701</u>
U.S.Department of Education:				
Federal Impact Aid				
	84.041	10015		1,478,090
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,594,635	
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	<u>510,455</u>	
Total Title I Cluster				3,105,090
Title II, Part A, Teacher Quality Local	84.367	14341		385,140
Title III, Limited English Proficiency	84.365	14346		38,010
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		114,269
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14894		91,994
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536		172,070
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,733,520	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	123,181	
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	93,550	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>762</u>	
Total Special Education (IDEA) Cluster				1,951,013
IDEA Early Intervention Grants, Part C	84.181	23761		70,597
Passed through the Department of Rehabilitation:				
Workability II, Transition Partnership	84.126	10006		<u>194,227</u>
Total U.S.Department of Education				<u>7,600,500</u>
Total Expenditures of Federal Awards				<u>\$ 14,091,259</u>

MORONGO UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

The 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been expended that have not been recorded as revenues by June 30, 2020.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 13,919,189
Differences between Federal Revenues and Expenditures:		
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	<u>172,070</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 14,091,259</u>

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Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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*

Board of Education
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 as of and for the year ended June 30, 2020, 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 February 25, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Morongo Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

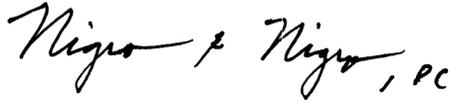
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
February 25, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
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 *Compliance Supplement* that could have a direct and material effect on each of Morongo Unified School District's major federal programs for the year ended June 30, 2020. Morongo Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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, 2020.

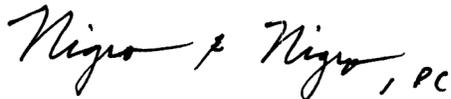
Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Murrieta, California
February 25, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Morongo Unified School District
Twentynine Palms, California

Report on State Compliance

We have audited Morongo Unified School District's compliance with the types of compliance requirements described in the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Morongo Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Morongo Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state 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 state program. However, our audit does not provide a legal determination of Morongo Unified School District's compliance.

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

Table with 2 columns: Description, Procedures Performed. Rows include Local Education Agencies Other Than Charter Schools: Attendance, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time, Instructional Materials, Ratio of Administrative Employees to Teachers.

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

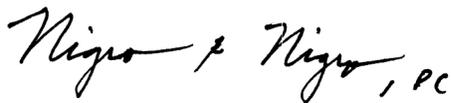
In our opinion, Morongo Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2020-001. Our opinion on each state program is not modified with respect to this matter.

District's Response to Finding

Morongo Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Morongo Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California
February 25, 2021

Findings and Questioned Costs

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MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.558</u>	<u>Child and Adult Care Food Program Cluster</u>
<u>84.027, 84.027A,</u>	
<u>84.173, 84.173A</u>	<u>Special Education Cluster (IDEA)</u>

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

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2019-20.

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2019-20.

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2020-001: School Accountability Report Card (72000)

Criteria: In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year.

Condition: It was noted that the school facility repair status on the SARC for Twentynine Palms High School did not match the FIT form.

Context: One SARC of five schools tested did not match the FIT form.

Questioned Cost: None.

Cause: The SARC for Twentynine Palms High School reported systems and cleanliness in “Good” condition while the FIT form stated a “Exemplary” rating. The SARC reported interior and electrical in “Good” condition while the FIT form stated a “fair” rating.

Effect: Without proper compliance, the public will be misinformed on the status of the school’s facilities.

Recommendation: We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public.

Views of Responsible Officials: The District reviews the SARC prior to its publication to ensure all information matches source documentation. Additionally, the District will provide additional guidance to the employees charged with composing the SARC to ensure that the data presented is as accurate as possible.

MORONGO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2020

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2019-001: School Safety Plans</i>	<p>In accordance with Education Code Section 32281(a), each school district and county office of education is responsible for the overall development of all comprehensive school safety plans for its schools operating kindergarten or any of grades 1 to 12, inclusive.</p> <p>Furthermore, Education Code Section 32286(a) requires that each school adopt its comprehensive school safety plan by March 1, 2000, and review and update its plan by March 1, every year thereafter.</p> <p>While each school tested did have a comprehensive safety plan in place, and the plans were reviewed and updated, such reviews were not completed by March 1, 2019.</p>	40000	We recommend that the District implement procedures to ensure that all school safety plans are approved by March 1 of each year.	Implemented.