



**MORONGO UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2021**



NIGRO & NIGRO^{PC}

MORONGO UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2021

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
District-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Governmental Funds Financial Statements:	
Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	15
Proprietary Fund Financial Statements:	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Financial Statements	19

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	55
Budgetary Comparison Schedule – Cafeteria Fund.....	56
Schedule of Proportionate Share of the Net Pension Liability	57
Schedule of Pension Contributions.....	58
Schedule of Changes in the District's Total OPEB Liability and Related Ratios.....	59
Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program	60
Notes to the Required Supplementary Information	61

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure	63
Schedule of Instructional Time.....	64
Schedule of Financial Trends and Analysis.....	65
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	66
Schedule of Expenditures of Federal Awards.....	67
Note to the Supplementary Information	68

MORONGO UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2021
Table of Contents

OTHER INDEPENDENT AUDITORS' REPORTS

Page

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*..... 69

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 71

Independent Auditors' Report on State Compliance..... 73

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 75

Financial Statement Findings 76

Federal Award Findings and Questioned Costs..... 77

State Award Findings and Questioned Costs..... 78

Summary Schedule of Prior Audit Findings..... 79

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *2020-21 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, 2021, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. Accordingly, the beginning net position on the Statement of Activities and the beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

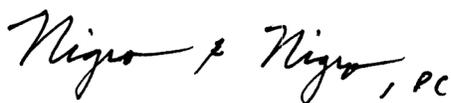
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total 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 64 to 66 and the schedule of expenditures of federal awards on page 67 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 63 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 January 3, 2022, 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
January 3, 2022

MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

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, 2021. 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 \$12.5 million.
- Governmental revenues were \$137.2 million. Expenses were \$124.7 million.
- The District acquired over \$5.4 million in new capital assets during the year. Depreciation expense was \$3.4 million.
- The District decreased its outstanding long-term debt other than pensions by \$227,010. This was primarily due to paying down the early retirement incentive obligation.
- Governmental funds increased by \$16.0 million, or 36.7%.
- Reserves for the General Fund increased by \$359,317, or 12.1%. Revenues were \$123.8 million and expenditures were \$112.3 million.

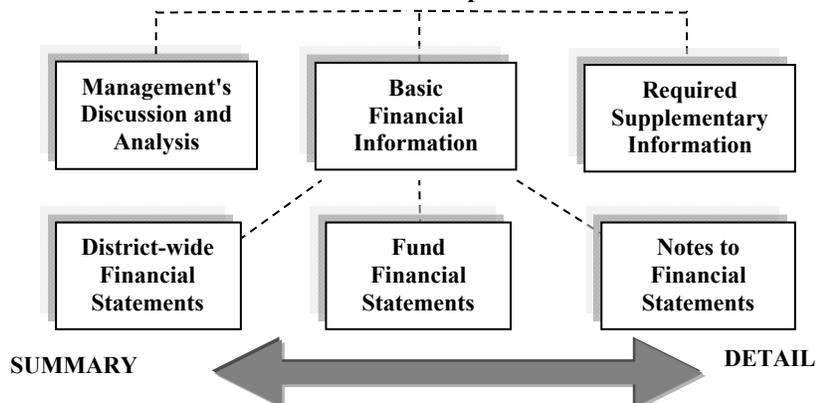
OVERVIEW OF THE FINANCIAL STATEMENTS

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 custodian 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, 2021

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 two 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 programs for workers' compensation claims, health and welfare benefits, and property and liability claims.

MORONGO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2021, than it was the year before – increasing 301.7% to \$16.6 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2021	2020*	
Assets			
Current assets	\$ 78,458,410	\$ 55,349,937	\$ 23,108,473
Capital assets	87,763,243	85,813,610	1,949,633
Total assets	166,221,653	141,163,547	25,058,106
Deferred outflows of resources	32,773,085	32,701,347	71,738
Liabilities			
Current liabilities	19,056,888	11,652,975	7,403,913
Long-term liabilities	51,470,281	51,697,291	(227,010)
Net pension liability	102,743,062	94,761,842	7,981,220
Total liabilities	173,270,231	158,112,108	15,158,123
Deferred inflows of resources	9,103,267	11,615,369	(2,512,102)
Net position			
Net investment in capital assets	43,518,805	41,734,222	1,784,583
Restricted	22,539,715	15,079,145	7,460,570
Unrestricted	(49,437,280)	(52,675,950)	3,238,670
Total net position	\$ 16,621,240	\$ 4,137,417	\$ 12,483,823

* *As restated*

Changes in net position, governmental activities. The District's total revenues increased 15.2% to \$137.2 million (See Table A-2). The increase is due primarily to federal and state COVID-related grants.

The total cost of all programs and services increased 7.8% to \$124.7 million. The District's expenses are predominantly related to educating and caring for students, 82.4%. The purely administrative activities of the District accounted for just 5.2% of total costs. A significant contributor to the increase in costs was spending of federal and state grants on COVID-related expenses.

MORONGO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Revenues			
Program Revenues:			
Charges for services	\$ 4,531,752	\$ 735,846	\$ 3,795,906
Operating grants and contributions	36,990,944	21,340,550	15,650,394
Capital grants and contributions	2,792	2,907	(115)
General Revenues:			
Property taxes	12,918,747	11,917,946	1,000,801
Federal and state aid not restricted	79,612,413	82,076,015	(2,463,602)
Other general revenues	3,117,947	2,967,650	150,297
Total Revenues	137,174,595	119,040,914	18,133,681
Expenses			
Instruction-related	83,421,044	74,533,453	8,887,591
Pupil services	19,368,305	18,014,109	1,354,196
Administration	6,520,237	7,635,228	(1,114,991)
Plant services	12,441,972	12,510,836	(68,864)
All other activities	2,939,214	2,931,621	7,593
Total Expenses	124,690,772	115,625,247	9,065,525
Increase (decrease) in net position	12,483,823	3,415,667	9,068,156
Net Position	\$ 16,621,240	\$ 4,137,417	\$ 12,483,823

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 \$59.5 million, which is above last year's ending fund balance of \$43.5 million. The primary cause of the increased fund balance is increased federal and state grant funding.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2020*	Revenues	Expenditures	Other Financing Uses and Sources	June 30, 2021
General Fund	\$ 29,750,547	\$ 123,770,372	\$ 112,294,302	\$ 952,231	\$ 42,178,848
Student Activity Fund	233,982	77,117	70,183	-	240,916
Cafeteria Fund	1,504,840	11,701,401	8,539,883	-	4,666,358
Deferred Maintenance Fund	2,299,228	543,998	648,882	-	2,194,344
Building Fund	10	-	-	-	10
Capital Facilities Fund	6,967,970	1,706,123	1,392,972	-	7,281,121
County School Facilities Fund	150,035	2,792	-	-	152,827
Bond Interest and Redemption Fund	2,619,476	2,558,344	2,394,506	-	2,783,314
Total	\$ 43,526,088	\$ 140,360,147	\$ 125,340,728	\$ 952,231	\$ 59,497,738

* As restated

MORONGO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

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 \$25.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$10.6 million due to step/column and increased pension costs.
- Other non-personnel expenses – increased \$14.9 million 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 \$2.2 million, the actual results for the year show that revenues exceeded expenditures by roughly \$11.5 million. Actual revenues were \$10.8 million less than anticipated, and expenditures were \$20.1 million less than budgeted.

That amount consists primarily of restricted program dollars that were not spent as of June 30, 2021, that will be carried over into the 2021-22 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-21 the District had invested approximately \$5.4 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 \$3.4 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Land	\$ 3,152,399	\$ 3,152,399	\$ -
Improvement of sites	13,762,245	9,240,344	4,521,901
Buildings	63,624,122	65,590,450	(1,966,328)
Equipment	2,626,061	1,692,884	933,177
Construction in progress	4,598,416	6,137,533	(1,539,117)
Total	\$ 87,763,243	\$ 85,813,610	\$ 1,949,633

Long-Term Debt

At year-end the District had \$51.5 million in long-term debt other than pensions – a decrease of 0.4% 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).

MORONGO UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance
	2021	2020	Increase (Decrease)
General obligation bonds	\$ 47,038,530	\$ 47,523,325	\$ (484,795)
Capital leases	854,222	132,030	722,192
Compensated absences	739,568	688,376	51,192
Early retirement incentives	650,628	1,301,255	(650,627)
Other postemployment benefits	2,187,333	2,052,305	135,028
Total	\$ 51,470,281	\$ 51,697,291	\$ (227,010)

Net pension liability increased during the year by \$8.0 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature Passed a Final Budget Package on June 28, 2021. The final budget package largely reflected the Legislature's approach on State Appropriations Limit (SAL)-related choices and choices to use funding from the American Rescue Plan (ARP) to offset General Fund costs. The budget package assumes that 2021-22 will end with nearly \$21 billion in total reserves. This consists of: (1) \$15.8 billion in the Budget Stabilization Account (BSA), (2) \$4 billion in Special Fund for Economic Uncertainties, and (3) \$900 million in the Safety Net Reserve, which is available for spending on the state's safety net programs, like Medi-Cal. In addition, the Proposition 98 Reserve (dedicated to school and community college spending) would reach \$4.5 billion under the spending plan.

Budget Also Commits \$27 Billion in ARP Fiscal Relief Funds

The ARP included \$350 billion in flexible funding to state and local governments for fiscal recovery in the Coronavirus State Fiscal Recovery Fund. Of this total, California's state government received about \$27 billion. The state has until December 31, 2024 to use the funds for any of the following purposes: (1) to respond to the public health emergency or negative economic impacts associated with the emergency; (2) to support essential work; (3) to backfill a reduction in total revenues that have occurred relative to the pre-pandemic trajectory; or (4) for water, sewer, or broadband infrastructure.

Significant Increase in School and Community College Funding

Proposition 98 (1988) established the minimum annual funding level for schools and community colleges. This funding requirement depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2020-21, the minimum requirement is up \$22.5 billion (31.8 percent) compared with the estimates made in June 2020. This increase represents the largest upward revision since the passage of Proposition 98 and is due to higher General Fund revenue estimates. For 2021-22, the minimum requirement increases by an additional \$309 million (0.3 percent) relative to the revised 2020-21 level.

Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs

When the minimum funding requirement is growing quickly, the Constitution requires the state to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the June 2021 budget plan, the total required deposit is \$4.5 billion—\$1.9 billion in 2020-21 and \$2.6 billion in 2021-22.

MORONGO UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2021

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Makes Required Reserve Deposit, Pays Down Deferrals, and Funds New Programs (continued)

The largest discretionary allocation of Proposition 98 funding is \$12.5 billion to pay down the deferrals the state adopted as part of the June 2020 budget plan. Beginning in 2021-22, schools and community colleges will receive all of their funding according to the regular monthly payment schedule. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, these augmentations focus on providing academic support for disadvantaged students, reopening schools and addressing learning loss, enhancing the education workforce, and implementing new curriculum or instructional practices in certain subjects. The community college augmentations focus on increasing the number of full-time faculty, addressing deferred maintenance at campus facilities, and funding basic student needs (including mental health services). The budget also provides a 5.07 percent baseline increase for the primary school and community college funding formulas.

Eliminates Supplemental Payments but Establishes Multiyear Plan to Fund Universal Transitional Kindergarten

Trailer legislation adopted in June 2020 would have required the state to make payments to schools and community colleges on top of the minimum funding requirement beginning in 2021-22. These supplemental payments were intended to accelerate the recovery of school funding from the decline the state anticipated last June. In recognition of the significant revenue increases (and ensuing increases in the guarantee) that have occurred since that time, the June 2021 budget plan repeals these payments. The budget, however, makes another commitment that will increase funding for schools—above the existing minimum requirement—on an ongoing basis. Specifically, it establishes a plan to make all four-year olds eligible for Transitional Kindergarten by 2025-26. (Currently, only children born between September 2 and December 2 are eligible.) The Legislature and the Governor have reached an agreement to cover the associated costs—approximately \$2.7 billion at full implementation—by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools.

Meanwhile, the new Delta variant continues to wreak havoc on school re-openings throughout California, as infection rates are on the rise. Complicating matters more is the new requirement that quarantined students no longer have the option of distance learning, but must instead be enrolled in independent study. All independent study programs have to demonstrate satisfactory educational progress, provide a plan for synchronous instruction, reflect grade-level standards, develop procedures for re-engaging students who are having trouble participating and provide a plan to transition students back to in-person instruction when their families wish to do so. The trailer bill language also addressed communication with students and families, the requirements of written independent study agreements and resources that must be provided to students. Districts can seek a waiver but only if certain conditions are met.

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, 2021*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 54,924,110
Accounts receivable	23,226,721
Inventories	264,739
Prepaid expenses	42,840
Capital assets:	
Non-depreciable assets	7,750,815
Depreciable assets	145,191,123
Less accumulated depreciation	<u>(65,178,695)</u>
Total assets	<u>166,221,653</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	30,532,023
Deferred outflows related to OPEB	64,703
Deferred amounts on refunding	<u>2,176,359</u>
Total deferred outflows of resources	<u>32,773,085</u>
LIABILITIES	
Accounts payable	17,172,141
Unearned revenue	1,884,747
Long-term liabilities other than pensions:	
Due or payable within one year	1,946,104
Due or payable after one year	49,524,177
Net pension liability	<u>102,743,062</u>
Total liabilities	<u>173,270,231</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	8,761,405
Deferred inflows related to OPEB	<u>341,862</u>
Total deferred inflows of resources	<u>9,103,267</u>
NET POSITION	
Net investment in capital assets	43,518,805
Restricted for:	
Capital projects	7,433,948
Debt service	2,783,314
Student activity	240,916
Categorical programs	11,571,056
Self-insurance program	510,481
Unrestricted	<u>(49,437,280)</u>
Total net position	<u>\$ 16,621,240</u>

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2021

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	\$ 71,676,937	\$ -	\$ 21,161,889	\$ 2,792	\$ (50,512,256)
Instruction-Related Services:					
Supervision of instruction	3,178,325	10,805	1,291,397	-	(1,876,123)
Instructional library, media and technology	851,406	-	49,503	-	(801,903)
School site administration	7,714,376	-	774,821	-	(6,939,555)
Pupil Support Services:					
Home-to-school transportation	4,036,644	-	-	-	(4,036,644)
Food services	8,181,353	3,321,841	8,301,794	-	3,442,282
All other pupil services	7,150,308	6,808	1,916,777	-	(5,226,723)
General Administration Services:					
Data processing services	1,843,819	-	1,437,883	-	(405,936)
Other general administration	4,676,418	41,423	841,739	-	(3,793,256)
Plant Services	12,441,972	423,486	820,568	-	(11,197,918)
Ancillary Services	833,862	-	81,173	-	(752,689)
Community Services	206,329	-	52,000	-	(154,329)
Enterprise Activities	274,466	-	-	-	(274,466)
Interest on Long-Term Debt	1,606,048	-	-	-	(1,606,048)
Other Outgo	18,509	727,389	261,400	-	970,280
Total Governmental Activities	\$ 124,690,772	\$ 4,531,752	\$ 36,990,944	\$ 2,792	(83,165,284)
General Revenues:					
Property taxes					12,918,747
Federal and state aid not restricted to specific purpose					79,612,413
Interest and investment earnings					641,482
Miscellaneous					2,476,465
Total general revenues					95,649,107
Change in net position					12,483,823
Net position - July 1, 2020, as originally stated					3,903,435
Adjustment for restatement (Note 12)					233,982
Net position - July 1, 2020, as restated					4,137,417
Net position - June 30, 2021					\$ 16,621,240

MORONGO UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 39,442,429	\$ 3,484,474	\$ 8,310,209	\$ 3,176,724	\$ 54,413,836
Accounts receivable	21,523,044	1,624,881	76,860	343	23,225,128
Due from other funds	520,852	-	-	-	520,852
Inventories	71,609	193,130	-	-	264,739
Prepaid expenditures	42,840	-	-	-	42,840
Total Assets	<u>\$ 61,600,774</u>	<u>\$ 5,302,485</u>	<u>\$ 8,387,069</u>	<u>\$ 3,177,067</u>	<u>\$ 78,467,395</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 15,388,456	\$ 69,654	\$ 1,105,948	\$ -	\$ 16,564,058
Due to other funds	-	520,852	-	-	520,852
Unearned revenues	1,839,126	45,621	-	-	1,884,747
Total Liabilities	<u>17,227,582</u>	<u>636,127</u>	<u>1,105,948</u>	<u>-</u>	<u>18,969,657</u>
Fund Balances					
Nonspendable	149,449	193,180	-	-	342,629
Restricted	7,097,878	4,473,178	7,281,121	3,177,067	22,029,244
Assigned	33,785,602	-	-	-	33,785,602
Unassigned	3,340,263	-	-	-	3,340,263
Total Fund Balances	<u>44,373,192</u>	<u>4,666,358</u>	<u>7,281,121</u>	<u>3,177,067</u>	<u>59,497,738</u>
Total Liabilities and Fund Balances	<u>\$ 61,600,774</u>	<u>\$ 5,302,485</u>	<u>\$ 8,387,069</u>	<u>\$ 3,177,067</u>	<u>\$ 78,467,395</u>

MORONGO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

Total fund balances - governmental funds \$ 59,497,738

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	152,941,938	
Accumulated depreciation	<u>(65,178,695)</u>	87,763,243

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: (606,697)

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: 2,176,359

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.

Deferred outflows of resources relating to pensions	30,532,023	
Deferred inflows of resources relating to pensions	<u>(8,761,405)</u>	21,770,618

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.

Deferred outflows of resources relating to OPEB	64,703	
Deferred inflows of resources relating to OPEB	<u>(341,862)</u>	(277,159)

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:

General obligation bonds payable	47,038,530	
Capital leases payable	854,222	
Compensated absences payable	739,568	
Early retirement incentives payable	650,628	
Other postemployment benefits payable	<u>2,187,333</u>	(51,470,281)

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. (102,743,062)

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: 510,481

Total net position - governmental activities \$ 16,621,240

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2021

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 86,289,599	\$ -	\$ -	\$ -	\$ 86,289,599
Federal sources	16,319,240	11,087,480	-	-	27,406,720
Other state sources	18,002,997	502,127	-	27,114	18,532,238
Other local sources	3,702,534	111,794	1,706,123	2,611,139	8,131,590
	<u>124,314,370</u>	<u>11,701,401</u>	<u>1,706,123</u>	<u>2,638,253</u>	<u>140,360,147</u>
Total Revenues					
EXPENDITURES					
Current:					
Instructional services:					
Instruction	68,693,372	-	-	-	68,693,372
Instruction-related services:					
Supervision of instruction	3,138,799	-	-	-	3,138,799
Instructional library, media and technology	763,608	-	-	-	763,608
School site administration	7,396,722	-	-	-	7,396,722
Pupil support services:					
Home-to-school transportation	4,019,730	-	-	-	4,019,730
Food services	1,489	8,399,571	-	-	8,401,060
All other pupil services	7,011,331	-	-	-	7,011,331
Ancillary services	523,451	-	-	70,183	593,634
Community services	205,843	-	-	-	205,843
General administration services:					
Data processing services	4,205,176	-	-	-	4,205,176
Other general administration	4,706,015	-	10,875	1,881	4,718,771
Plant services	11,854,294	11,214	-	-	11,865,508
Transfers of indirect costs	(129,098)	129,098	-	-	-
Capital outlay	285,599	-	1,382,097	-	1,667,696
Intergovernmental transfers	18,509	-	-	-	18,509
Debt service:					
Principal	230,039	-	-	717,257	947,296
Interest	18,305	-	-	1,675,368	1,693,673
	<u>112,943,184</u>	<u>8,539,883</u>	<u>1,392,972</u>	<u>2,464,689</u>	<u>125,340,728</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,371,186	3,161,518	313,151	173,564	15,019,419
OTHER FINANCING SOURCES (USES)					
Issuance of debt - capital lease	952,231	-	-	-	952,231
Net Change in Fund Balances	<u>12,323,417</u>	<u>3,161,518</u>	<u>313,151</u>	<u>173,564</u>	<u>15,971,650</u>
Fund Balances, July 1, 2020, as originally stated	32,049,775	1,504,840	6,967,970	2,769,521	43,292,106
Adjustment for restatement (Note 12)	-	-	-	233,982	233,982
Fund Balances, July 1, 2020, as restated	<u>32,049,775</u>	<u>1,504,840</u>	<u>6,967,970</u>	<u>3,003,503</u>	<u>43,526,088</u>
Fund Balances, June 30, 2021	<u>\$ 44,373,192</u>	<u>\$ 4,666,358</u>	<u>\$ 7,281,121</u>	<u>\$ 3,177,067</u>	<u>\$ 59,497,738</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, 2021

Total net change in fund balances - governmental funds	\$ 15,971,650
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:	5,418,461
Depreciation expense:	<u>(3,376,750)</u>
Net:	2,041,711
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:	
	947,296
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:	
	(952,231)
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:	
	(306,329)
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)
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	
	(92,078)
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:	
	7,376
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:	
	(5,308,179)
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:	
	(51,192)
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:	
	650,627
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:	
	(103,877)
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:	
	<u>(274,466)</u>
Change in net position of governmental activities	<u>\$ 12,483,823</u>

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2021

	Governmental Activities Internal Service Fund
ASSETS	
Deposits and investments	\$ 510,274
Accounts receivable	<u>1,593</u>
Total assets	511,867
LIABILITIES	
Accounts payable	<u>1,386</u>
NET POSITION	
Restricted	<u><u>\$ 510,481</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, 2021*

	<u>Governmental Activities Internal Service Fund</u>
OPERATING EXPENSES	
Payments for claims and other operating expenses	<u>\$ 286,905</u>
OPERATING INCOME (LOSS)	(286,905)
NON-OPERATING REVENUES	
Interest income	<u> 12,439</u>
Change in net position	(274,466)
Net position, July 1, 2020	<u> 784,947</u>
Net position, June 30, 2021	<u><u> \$ 510,481</u></u>

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to vendors and suppliers	\$ (286,323)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	14,517
Net increase (decrease) in cash and cash equivalents	(271,806)
Cash and cash equivalents, July 1, 2020	782,080
Cash and cash equivalents, June 30, 2021	<u>\$ 510,274</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (286,905)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts payable and accrued liabilities	582
Net cash used by operating activities	<u>\$ (286,323)</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2021

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.

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).

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.

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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).

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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.

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 Pronouncements

The following Statements have been implemented as of June 30, 2021:

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.

2. 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.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. (continued)

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.

J. Future Accounting Pronouncements

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

1. 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.

2. 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.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

2. (continued)

As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

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

3. 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.

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

4. 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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. (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.

5. 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.

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.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. 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.

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, 2021 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 54,413,836
Proprietary funds	510,274
Total deposits and investments	<u>\$ 54,924,110</u>

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

Cash on hand and in banks	\$ 3,725,340
Cash in revolving fund	35,050
Investments	51,163,720
Total deposits and investments	<u>\$ 54,924,110</u>

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, 2021, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2021, \$3,708,157 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. This is primarily from the District Food Services checking account.

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, 2021, consist of the following:

	Reported Amount	Less Than One Year	Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	\$ 51,163,720	\$ 51,163,720	\$ -	Uncategorized	N/A

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, 2021, 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, 2021, the District had no investments outside the County Treasury.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consisted of the following:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Self- Insurance Fund
Federal Government:						
Categorical aid programs	\$ 3,471,713	\$ 1,543,079	\$ -	\$ -	\$ 5,014,792	\$ -
State Government:						
LCFF	13,344,312	-	-	-	13,344,312	-
Child nutrition	-	81,802	-	-	81,802	-
Lottery	524,569	-	-	-	524,569	-
Categorical aid programs	2,519,668	-	-	-	2,519,668	-
Local:						
Interest	83,321	-	17,153	343	100,817	1,593
Other local sources	1,579,461	-	59,707	-	1,639,168	-
Total	<u>\$ 21,523,044</u>	<u>\$ 1,624,881</u>	<u>\$ 76,860</u>	<u>\$ 343</u>	<u>\$ 23,225,128</u>	<u>\$ 1,593</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2021, consisted of the following:

Cafeteria Fund due to General Fund for payroll and operating expenses	<u>\$ 520,852</u>
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NOTE 5 – FUND BALANCES

At June 30, 2021, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 35,000	\$ 50	\$ -	\$ -	\$ 35,050
Stores inventories	71,609	193,130	-	-	264,739
Prepaid expenditures	42,840	-	-	-	42,840
Total Nonspendable	<u>149,449</u>	<u>193,180</u>	<u>-</u>	<u>-</u>	<u>342,629</u>
Restricted:					
Categorical programs	7,097,878	-	-	-	7,097,878
Food service program	-	4,473,178	-	-	4,473,178
Capital projects	-	-	7,281,121	152,837	7,433,958
Debt service	-	-	-	2,783,314	2,783,314
Student activity	-	-	-	240,916	240,916
Total Restricted	<u>7,097,878</u>	<u>4,473,178</u>	<u>7,281,121</u>	<u>3,177,067</u>	<u>22,029,244</u>
Assigned:					
Textbook adoption	3,500,000	-	-	-	3,500,000
Roof repair	2,000,000	-	-	-	2,000,000
Fire alarm repair/PA replacement	500,000	-	-	-	500,000
IT infrastructure - E-Rate match	500,000	-	-	-	500,000
Strategic plan- safety	500,000	-	-	-	500,000
Strategic plan- deferred maintenance	3,000,000	-	-	-	3,000,000
LCAP carryover - keyless entry, etc.	2,696,934	-	-	-	2,696,934
Reserve spending 2022-2023	3,428,311	-	-	-	3,428,311
Reserve spending 2023-2024	3,361,278	-	-	-	3,361,278
Reserve spending 2024-2025	3,041,835	-	-	-	3,041,835
Reserve spending 2025-2026	3,819,223	-	-	-	3,819,223
Reserve for future unfunded	5,243,677	-	-	-	5,243,677
Deferred maintenance program	2,194,344	-	-	-	2,194,344
Total Assigned	<u>33,785,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,785,602</u>
Unassigned:					
Reserve for economic uncertainties	3,340,263	-	-	-	3,340,263
Total Unassigned	<u>3,340,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,340,263</u>
Total	<u>\$ 44,373,192</u>	<u>\$ 4,666,358</u>	<u>\$ 7,281,121</u>	<u>\$ 3,177,067</u>	<u>\$ 59,497,738</u>

MORONGO UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2020	Additions	Deletions	Balance, June 30, 2021
Capital assets not being depreciated:				
Land	\$ 3,152,399	\$ -	\$ -	\$ 3,152,399
Construction in progress	6,137,533	4,093,179	5,632,296	4,598,416
Total capital assets not being depreciated	<u>9,289,932</u>	<u>4,093,179</u>	<u>5,632,296</u>	<u>7,750,815</u>
Capital assets being depreciated:				
Improvement of sites	21,116,308	5,160,608	-	26,276,916
Buildings	110,838,251	439,863	-	111,278,114
Equipment	12,419,950	1,357,107	6,140,964	7,636,093
Total capital assets being depreciated	<u>144,374,509</u>	<u>6,957,578</u>	<u>6,140,964</u>	<u>145,191,123</u>
Accumulated depreciation for:				
Improvement of sites	(11,875,964)	(638,707)	-	(12,514,671)
Buildings	(45,247,801)	(2,406,191)	-	(47,653,992)
Equipment	(10,727,066)	(331,852)	(6,048,886)	(5,010,032)
Total accumulated depreciation	<u>(67,850,831)</u>	<u>(3,376,750)</u>	<u>(6,048,886)</u>	<u>(65,178,695)</u>
Total capital assets being depreciated, net	<u>76,523,678</u>	<u>3,580,828</u>	<u>92,078</u>	<u>80,012,428</u>
Governmental activities capital assets, net	<u>\$ 85,813,610</u>	<u>\$ 7,674,007</u>	<u>\$ 5,724,374</u>	<u>\$ 87,763,243</u>

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

Instruction	\$ 2,657,705
Instruction Supervision and Administration	11,094
Instruction Library, Media and Technology	33,618
School Site Administration	72,366
Home-to-School Transportation	1,815
Food Services	69,406
All Other Pupil Services	685
Ancillary Services	7,814
All Other General Administration	83,800
Centralized Data Processing	287,060
Plant Services	<u>151,387</u>
 Total	 <u>\$ 3,376,750</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2021, were as follows:

	Balance,			Balance,		Amount Due
	July 1, 2020	Additions	Deductions	June 30, 2021	Within One Year	
General Obligation Bonds:						
Principal	\$ 42,965,024	\$ -	\$ 717,257	\$ 42,247,767	\$ 791,780	
Accreted Interest Component	3,341,975	514,072	207,743	3,648,304	248,220	
Unamortized Issuance Premium	1,216,326	-	73,867	1,142,459	73,867	
Subtotal Bonds	<u>47,523,325</u>	<u>514,072</u>	<u>998,867</u>	<u>47,038,530</u>	<u>1,113,867</u>	
Capital Leases	132,030	952,231	230,039	854,222	181,609	
Compensated Absences	688,376	51,192	-	739,568	-	
Early Retirement Incentive	1,301,255	-	650,627	650,628	650,628	
Other Postemployment Benefits	2,052,305	223,703	88,675	2,187,333	-	
Totals	<u>\$ 51,697,291</u>	<u>\$ 1,741,198</u>	<u>\$ 1,968,208</u>	<u>\$ 51,470,281</u>	<u>\$ 1,946,104</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, 2021, 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, 2021, deferred amounts on refunding were \$2,176,359.

A summary of all bonds issued and outstanding at June 30, 2021 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2020	Issuances	Redemptions	Balance, June 30, 2021
Election of 2005 (Measure O)								
Series C	3/29/2012	8/1/2042	4.34% - 12.00%	\$ 17,147,652	\$ 12,740,024	\$ -	\$ 127,257	\$ 12,612,767
Refunding Bonds								
2012 Ref.	11/29/2012	8/1/2030	2.0% - 5.0%	7,935,000	6,190,000	-	400,000	5,790,000
2018 Ref.	4/4/2018	8/1/2039	2.0% - 5.0%	24,510,000	24,035,000	-	190,000	23,845,000
					<u>\$ 42,965,024</u>	<u>\$ -</u>	<u>\$ 717,257</u>	<u>\$ 42,247,767</u>
Accreted Interest:								
CABs					\$ 579,289	\$ 87,448	\$ 207,743	\$ 458,994
Convertible CABs					2,762,686	426,624	-	3,189,310
					<u>\$ 3,341,975</u>	<u>\$ 514,072</u>	<u>\$ 207,743</u>	<u>\$ 3,648,304</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2021, are as follows:

Fiscal Year	Principal	Interest	Totals
2021-2022	\$ 791,780	\$ 1,693,169	\$ 2,484,949
2022-2023	871,860	1,704,363	2,576,223
2023-2024	1,280,000	1,385,624	2,665,624
2024-2025	1,425,000	1,326,999	2,751,999
2025-2026	1,600,000	1,534,074	3,134,074
2026-2031	6,745,000	8,256,386	15,001,386
2031-2036	9,230,000	6,711,704	15,941,704
2036-2041	11,600,578	4,475,943	16,076,521
2041-2043	8,703,549	444,881	9,148,430
	<u>\$ 42,247,767</u>	<u>\$ 27,533,143</u>	<u>\$ 69,780,910</u>

B. Capital Leases

The District leases equipment valued at \$963,374 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	Totals
2021-2022	\$ 181,609	\$ 25,628	\$ 207,237
2022-2023	187,071	19,943	207,014
2023-2024	193,330	13,685	207,015
2024-2025	199,837	7,177	207,014
2025-2026	92,375	1,275	93,650
	<u>\$ 854,222</u>	<u>\$ 67,708</u>	<u>\$ 921,930</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, 2021, for these obligations are \$650,628, which was due July 10, 2021.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

D. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows 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	\$ 1,687,313	\$ 64,703	\$ 341,862	\$ 131,671
MPP Program	500,020	-	-	60,881
Total	<u>\$ 2,187,333</u>	<u>\$ 64,703</u>	<u>\$ 341,862</u>	<u>\$ 192,552</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 \$1,687,313 for the Plan was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

Discount Rate

The discount rate of 2.16 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, 2020	<u>\$ 1,613,166</u>
Changes for the year:	
Service cost	122,231
Interest	35,859
Changes of assumptions	4,732
Benefit payments	<u>(88,675)</u>
Net changes	74,147
Balance at June 30, 2021	<u><u>\$ 1,687,313</u></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	\$ 1,792,950
Current discount rate	\$ 1,687,313
1% increase	\$ 1,584,538

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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	\$ 1,495,866
Current trend rate	\$ 1,687,313
1% increase	\$ 1,914,119

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$131,671. In addition, at June 30, 2021, 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	\$ -	\$ 341,862
Changes of assumptions	64,703	-
Total	<u>\$ 64,703</u>	<u>\$ 341,862</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 current measurement period is 12.4 years.

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 6,453	\$ 32,872
2023	6,453	32,872
2024	6,453	32,872
2025	6,453	32,872
2026	6,453	32,872
Thereafter	32,438	177,502
	<u>\$ 64,703</u>	<u>\$ 341,862</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2019 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: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit 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. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2020, 5,443 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as 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 Education Code section 25930, contributions that would otherwise be credited to the Defined Benefit 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.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability

At June 30, 2021, the District reported a liability of \$500,020 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, 2020, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. 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, 2021</u>	<u>Fiscal Year Ending June 30, 2020</u>	
	Measurement Date	<u>June 30, 2020</u>	
Proportion of the Net OPEB Liability	0.117989%	0.117922%	0.000067%

For the year ended June 30, 2021, the District reported OPEB expense of \$60,881.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 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, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population of 159,339.

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

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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

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

Medicare Premium Payment (MPP) Program (continued)

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, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

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

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

The following presents the District’s proportionate share of the net OPEB liability, 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:

<u>Discount Rate</u>	<u>MPP OPEB Liability</u>
1% decrease	\$ 552,911
Current discount rate	\$ 500,020
1% increase	\$ 455,013

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:

<u>Medicare Cost Trend Rates</u>	<u>MPP OPEB Liability</u>
1% decrease	\$ 453,385
Current trend rate	\$ 500,020
1% increase	\$ 553,705

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2021, 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	\$ 75,448,447	\$ 24,631,574	\$ 7,755,837	\$ 11,349,685
CalPERS	27,294,615	5,900,449	1,005,568	4,854,672
Total	\$ 102,743,062	\$ 30,532,023	\$ 8,761,405	\$ 16,204,357

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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

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.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Benefits Provided (continued)

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	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	16.15%	16.15%
Required State Contribution Rate	10.328%	10.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In 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, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The contribution rates for each program for the year ended June 30, 2021, are presented above, and the District's total contributions were \$6,865,298.

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

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

District's proportionate share of net pension liability	\$	75,448,447
State's proportionate share of the net pension liability associated with the District		<u>38,893,683</u>
Total	\$	<u>114,342,130</u>

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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)

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's 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, 2021	Fiscal Year Ending June 30, 2020	
	June 30, 2020	June 30, 2019	
Measurement Date	June 30, 2020	June 30, 2019	
Proportion of the Net Pension Liability	0.077855%	0.076297%	0.001558%

For the year ended June 30, 2021, the District recognized pension expense of \$11,349,685. In addition, the District recognized pension expense and revenue of \$1,216,061 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,865,298	\$ -
Net change in proportionate share of net pension liability	7,388,991	4,533,421
Difference between projected and actual earnings on pension plan investments	2,886,861	1,094,640
Changes of assumptions	7,357,292	-
Differences between expected and actual experience	133,132	2,127,776
Total	<u>\$ 24,631,574</u>	<u>\$ 7,755,837</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.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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)

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
2022	\$ 3,918,856	\$ 2,594,315
2023	4,529,238	1,350,193
2024	4,714,965	1,217,061
2025	2,327,932	1,240,105
2026	1,043,411	1,226,870
Thereafter	1,231,874	127,293
Total	<u>\$ 17,766,276</u>	<u>\$ 7,755,837</u>

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, 2019 and rolling forward the total pension liability to June 30, 2020. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
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-2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	42%	4.8%
Fixed Income	15%	3.6%
Real Estate	13%	6.3%
Private Equity	12%	1.3%
Risk Mitigating Strategies	10%	1.8%
Inflation Sensitive	6%	3.3%
Cash/Liquidity	2%	(0.4%)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. 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 of 7.10% and assume 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%)	\$ 113,992,093
Current discount rate (7.10%)	75,448,447
1% increase (8.10%)	43,625,239

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, 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 \$4,401,606.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 8 – PENSION PLANS (continued)

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, 2019 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>.

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, 2021, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	20.70%	20.70%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021 are presented above, and the total District contributions were \$2,814,820.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$27,294,615. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, 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, 2021	Fiscal Year Ending June 30, 2020	
	Measurement Date	June 30, 2020	
Proportion of the Net Pension Liability	0.088957%	0.088708%	0.000249%

For the year ended June 30, 2021, the District recognized pension expense of \$4,854,672. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,814,820	\$ -
Net change in proportionate share of net pension liability	381,344	323,289
Difference between projected and actual earnings		
on pension plan investments	1,250,465	682,279
Changes of assumptions	100,091	-
Differences between expected and actual experience	1,353,729	-
Total	\$ 5,900,449	\$ 1,005,568

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, 2021

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
2022	\$ 1,361,421	\$ 710,757
2023	849,261	294,811
2024	576,118	-
2025	297,258	-
2026	1,571	-
Thereafter	-	-
Total	<u>\$ 3,085,629</u>	<u>\$ 1,005,568</u>

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

Valuation Date	June 30, 2019
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, 2021

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%)	\$ 39,240,986
Current discount rate (7.15%)	27,294,615
1% increase (8.15%)	17,379,726

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, 2021, 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, 2021.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

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, 2021, 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, 2021.

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, 2021, the District participated in the Schools Excess Liability Fund public entity risk pool for property and liability insurance coverage.

Workers' Compensation

For fiscal year 2020-21, 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.

MORONGO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 – ADJUSTMENT FOR RESTATEMENT

As a result of the implementation of GASB Statement 84, the beginning net position and beginning fund balance have been restated by \$233,982 for the amount held for student body activities at June 30, 2020, which was previously reported in a fiduciary fund.

Required Supplementary Information

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MORONGO UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 78,975,747	\$ 99,326,141	\$ 85,789,599	\$ (13,536,542)
Federal Sources	16,666,536	19,629,730	16,319,240	(3,310,490)
Other State Sources	12,951,431	12,938,796	18,002,997	5,064,201
Other Local Sources	953,858	2,709,451	3,658,536	949,085
Total Revenues	109,547,572	134,604,118	123,770,372	(10,833,746)
Expenditures				
Current:				
Certificated Salaries	44,433,234	49,031,062	42,597,388	6,433,674
Classified Salaries	16,155,266	14,665,677	14,336,310	329,367
Employee Benefits	26,141,036	33,620,178	25,778,010	7,842,168
Books and Supplies	4,857,430	14,195,078	10,997,037	3,198,041
Services and Other Operating Expenditures	14,812,363	17,205,456	14,291,991	2,913,465
Indirect Costs	(156,451)	(156,451)	(129,098)	(27,353)
Capital Outlay	614,528	3,808,599	4,392,689	(584,090)
Intergovernmental Transfers	13,237	23,754	29,975	(6,221)
Total Expenditures	106,870,643	132,393,352	112,294,302	20,099,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,676,929	2,210,766	11,476,070	9,265,304
Other Financing Sources and Uses				
Proceeds from Capital Leases	-	-	952,231	952,231
Total Other Financing Sources and Uses	-	-	952,231	952,231
Net Change in Fund Balance	2,676,929	2,210,766	12,428,301	10,217,535
Fund Balances, July 1, 2020	25,507,101	22,941,698	29,750,547	6,808,849
Fund Balances, June 30, 2021	<u>\$ 28,184,030</u>	<u>\$ 25,152,464</u>	42,178,848	<u>\$ 16,074,153</u>
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
			Deferred Maintenance Fund	2,194,344
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$ 44,373,192</u>	

MORONGO UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Federal Sources	\$ 5,160,000	\$ 5,160,000	\$ 11,087,480	\$ 5,927,480
Other State Sources	323,000	323,000	502,127	179,127
Other Local Sources	138,000	1,240,921	111,794	(1,129,127)
Total Revenues	<u>5,621,000</u>	<u>6,723,921</u>	<u>11,701,401</u>	<u>4,977,480</u>
Expenditures				
Current:				
Classified Salaries	1,947,879	1,834,265	1,771,782	62,483
Employee Benefits	817,871	844,759	791,361	53,398
Books and Supplies	2,611,449	2,611,449	5,268,341	(2,656,892)
Services and Other Operating Expenditures	87,350	1,194,626	90,956	1,103,670
Indirect Costs	156,451	156,451	-	156,451
Capital Outlay	-	82,371	488,345	(405,974)
Intergovernmental Transfers	-	-	129,098	(129,098)
Total Expenditures	<u>5,621,000</u>	<u>6,723,921</u>	<u>8,539,883</u>	<u>(1,815,962)</u>
Net Change in Fund Balance	-	-	3,161,518	3,161,518
Fund Balances, July 1, 2020	<u>885,282</u>	<u>1,504,840</u>	<u>1,504,840</u>	<u>-</u>
Fund Balances, June 30, 2021	<u>\$ 885,282</u>	<u>\$ 1,504,840</u>	<u>\$ 4,666,358</u>	<u>\$ 3,161,518</u>

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2021

	<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>	<u>2013-14</u>
CalSTRS							
District's proportion of the net pension liability	0.0779%	0.0763%	0.0702%	0.0781%	0.0760%	0.0760%	0.0720%
District's proportionate share of the net pension liability	\$ 75,448,447	\$ 68,908,575	\$ 64,501,730	\$ 72,209,767	\$ 61,469,560	\$ 51,317,105	\$ 42,153,464
State's proportionate share of the net pension liability associated with the District	38,893,683	37,594,228	36,930,257	42,718,688	34,998,676	27,141,019	25,454,337
Totals	<u>\$ 114,342,130</u>	<u>\$ 106,502,803</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	\$ 42,805,684	\$ 41,368,925	\$ 38,451,185	\$ 40,322,409	\$ 37,465,079	\$ 45,270,304	\$ 38,178,242
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.26%	166.57%	167.75%	179.08%	164.07%	113.36%	110.41%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
CalPERS							
District's proportion of the net pension liability	0.0890%	0.0887%	0.0868%	0.0901%	0.0904%	0.0897%	0.0887%
District's proportionate share of the net pension liability	\$ 27,294,615	\$ 25,853,268	\$ 23,145,121	\$ 21,501,450	\$ 17,854,056	\$ 13,222,512	\$ 10,072,581
District's covered-employee payroll	\$ 13,498,590	\$ 13,161,865	\$ 12,456,423	\$ 13,004,853	\$ 9,674,441	\$ 9,737,732	\$ 10,810,294
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.20%	196.43%	185.81%	165.33%	184.55%	135.79%	93.18%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%

* 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, 2021

	<i>Last Ten Fiscal Years*</i>						
	<u>2020-21</u>	<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	\$ 6,865,298	\$ 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>6,865,298</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 42,509,586</u>	<u>\$ 42,805,684</u>	<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>
Contributions as a percentage of covered-employee payroll	<u>16.15%</u>	<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	\$ 2,814,820	\$ 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>2,814,820</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 13,598,164</u>	<u>\$ 13,498,590</u>	<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>
Contributions as a percentage of covered-employee payroll	<u>20.700%</u>	<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, 2021*

	Last 10 Fiscal Years*			
	2020-21	2019-20	2018-19	2017-18
Total OPEB liability				
Service cost	\$ 122,231	\$ 184,183	\$ 171,314	\$ 166,729
Interest	35,859	65,810	59,916	60,221
Differences between expected and actual experience	-	(407,606)	-	-
Changes of assumptions or other inputs	4,732	37,083	38,492	-
Benefit payments	(88,675)	(109,008)	(106,471)	(102,376)
Net change in total OPEB liability	74,147	(229,538)	163,251	124,574
Total OPEB liability - beginning	1,613,166	1,842,704	1,679,453	1,554,879
Total OPEB liability - ending	<u>\$ 1,687,313</u>	<u>\$ 1,613,166</u>	<u>\$ 1,842,704</u>	<u>\$ 1,679,453</u>
Covered-employee payroll	<u>\$ 58,525,244</u>	<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>2.88%</u>	<u>2.83%</u>	<u>3.32%</u>	<u>3.11%</u>

Notes to Schedule:

The discount rate was reduced from 2.20% to 2.16% for the most recent measurement period.

** 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, 2021*

	Last 10 Fiscal Years*			
	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of net OPEB liability	<u>0.1180%</u>	<u>0.1179%</u>	<u>0.1104%</u>	<u>0.1243%</u>
District's proportionate share of net OPEB liability	<u>\$ 500,020</u>	<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>	<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>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>(0.71%)</u>	<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, 2021

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 deferred based on the average working life. The discount rate was changed from 2.20 percent to 2.16 percent since the previous valuation.

MORONGO UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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 3.50 percent to 2.21 percent since the previous valuation.

Supplementary Information

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MORONGO UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2021

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	2024
Robert Hamilton	Member	2024
Cathy Nelson	Member	2024
Roberta Meyers	Member	2022

DISTRICT ADMINISTRATORS

Doug Weller,
Superintendent

Sharon Flores,
Assistant Superintendent, Business Services

Amy Woods,
Assistant Superintendent, Instructional Services

Michael Ghelber,
Assistant Superintendent, Human Resources

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2021

Grade Level	Number of Instructional Days			Status
	Actual	Credited Days From J-13A Waivers	Total	
Kindergarten	180	0	180	Complied
Grade 1	180	0	180	Complied
Grade 2	180	0	180	Complied
Grade 3	180	0	180	Complied
Grade 4	180	0	180	Complied
Grade 5	180	0	180	Complied
Grade 6	180	0	180	Complied
Grade 7	180	0	180	Complied
Grade 8	180	0	180	Complied
Grade 9	180	0	180	Complied
Grade 10	180	0	180	Complied
Grade 11	180	0	180	Complied
Grade 12	180	0	180	Complied

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2021

General Fund	(Budget) 2022 ²	2021 ³	2020	2019
Revenues and other financing sources	\$ 129,353,114	\$ 124,722,603	\$ 110,642,554	\$ 106,940,062
Expenditures and other financing uses	132,235,565	112,294,302	105,100,519	106,049,349
Change in fund balance (deficit)	<u>(2,882,451)</u>	<u>12,428,301</u>	<u>5,542,035</u>	<u>890,713</u>
Ending fund balance	<u>\$ 39,296,397</u>	<u>\$ 42,178,848</u>	<u>\$ 29,750,547</u>	<u>\$ 24,208,512</u>
Available reserves ¹	<u>\$ 1,357,397</u>	<u>\$ 3,340,263</u>	<u>\$ 2,980,946</u>	<u>\$ 3,181,480</u>
Available reserves as a percentage of total outgo	<u>1.0%</u>	<u>3.0%</u>	<u>2.8%</u>	<u>3.0%</u>
Total long-term debt	<u>\$ 152,506,554</u>	<u>\$ 154,213,343</u>	<u>\$ 146,459,133</u>	<u>\$ 140,708,130</u>
Average daily attendance at P-2	<u>7,378</u>	<u>N/A</u>	<u>7,924</u>	<u>8,041</u>

The General Fund balance has increased by \$18.0 million over the past two years. The fiscal year 2021-22 adopted budget projects a decrease of \$2.9 million. 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 2021-22 fiscal year. Long-term debt has increased by \$13.5 million over the past two years.

Average daily attendance decreased by 117 ADA in 2020 compared to the previous year. The District was held harmless in FY 2020-21 and was funded on its FY 2019-20 ADA. At the time of budget adoption, the budgeted ADA for FY 2021-22 was 7,378.

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

² Revised budget September, 2022. Though only 1% is shown in unassigned for 2022, the District has budgeted \$5.1 million in assigned reserves, which brings the reserve percentage to 4.9%.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on 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 receipting 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, 2021*

*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, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing 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 - Basic	10.553	13525	\$ 2,281,416	
National School Lunch Program	10.555	13523	3,649,770	
USDA Donated Foods	10.555	N/A	<u>1,264,483</u>	\$ 7,195,669
Total Child Nutrition Cluster				
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	3,159,046	
CACFP in Lieu of Commodities	10.558	13389	<u>220,503</u>	
Total Child and Adult Care Food Program Cluster				3,379,549
NSLP Equipment Assistance Grants	10.579	14906		<u>100,000</u>
Total U.S.Department of Agriculture				<u>10,675,218</u>
U.S. Department of Treasury:				
Passed through California Dept. of Education (CDE):				
COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516		<u>7,223,880</u>
Total U.S. Department of Treasury				<u>7,223,880</u>
U.S. Department of Defense:				
Education Activity Grant				
	12.030	N/A		<u>145,577</u>
Total U.S. Department of Defense				<u>145,577</u>
U.S.Department of Education:				
Federal Impact Aid				
	84.041	N/A		1,121,155
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	3,413,204	
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	<u>426,563</u>	
Total Title I, Part A Grants				3,839,767
Title II, Part A, Teacher Quality Local	84.367	14341		63,882
Title III, Limited English Proficiency	84.365	14346		22,068
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		74,137
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14893		86,692
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	1,243,725	
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	177,571	
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	<u>512,262</u>	
Total Education Stabilization Fund				1,933,558
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,695,156	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	67,070	
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	92,662	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>1,111</u>	
Total Special Education (IDEA) Cluster				1,855,999
IDEA Early Intervention Grants, Part C	84.181	23761		40,090
Passed through the Department of Rehabilitation:				
Workability II, Transition Partnership	84.126	10006		<u>187,011</u>
Total U.S.Department of Education				<u>9,224,359</u>
Total Expenditures of Federal Awards				<u>\$ 27,269,034</u>

MORONGO UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the number of instructional days 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.

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 27,406,720
Differences between Federal Revenues and Expenditures:		
Title III, Limited English Proficiency	84.365	34,384
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	(172,070)
Total Schedule of Expenditures of Federal Awards		<u>\$ 27,269,034</u>

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, 2021, 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 January 3, 2022.

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.

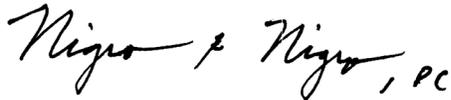
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
January 3, 2022



**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, 2021. 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, 2021.

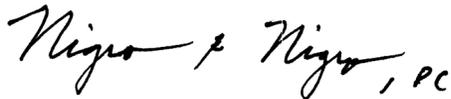
Report on Internal Control Over Compliance

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
January 3, 2022



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 *2020-21 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, 2021.

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 *2020-21 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.

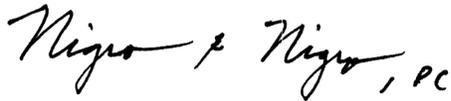
In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	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
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study - Course Based	Not Applicable
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	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, 2021.



Murrieta, California
January 3, 2022

Schedule of Findings and Questioned Costs

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MORONGO UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2021

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(a)?	<u>No</u>

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>21.019</u>	<u>Coronavirus Relief Fund (CRF): Learning Loss Mitigation</u>
<u>84.425, 84.425D & 84.425C</u>	<u>Education Stabilization Fund</u>
<u>84.010</u>	<u>Title I, Part A Grants</u>
<u>84.041</u>	<u>Impact Aid</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 818,071</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

Financial Statement Findings

For the Fiscal Year Ended June 30, 2021

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 2020-21.

MORONGO UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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 2020-21.

MORONGO UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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

There were no state award findings or questioned costs in 2020-21.

MORONGO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2021

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2020-001: School Accountability Report Card</i>	<p>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.</p> <p>It was noted that the school facility repair status on the SARC for Twentynine Palms High School did not match the FIT form.</p>	72000	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.	Implemented