MORONGO UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2025

NIGRO & NIGRO PC

MORONGO UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2025
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Financial Section

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A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Education
Morongo Unified School District
Twentynine Palms, California

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Changes in Accounting Principle
As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 101, *Compensated Absences.* Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard. Our opinion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the LEA Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to the materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 12, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC

Murrieta, California
December 12, 2025

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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, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by $5.0 million, or 4.5%.
- Governmental expenses were about $158.4 million. Revenues were about $153.4 million.
- The District acquired over $9.3 million in new capital assets during the year.
- Governmental funds increased by $21.0 million, or 17.9%.
- Reserves for the General Fund decreased by $2.5 million or 36.1%. Revenues and other sources were $142.5 million, and expenditures and other financing uses were $152.7 million.

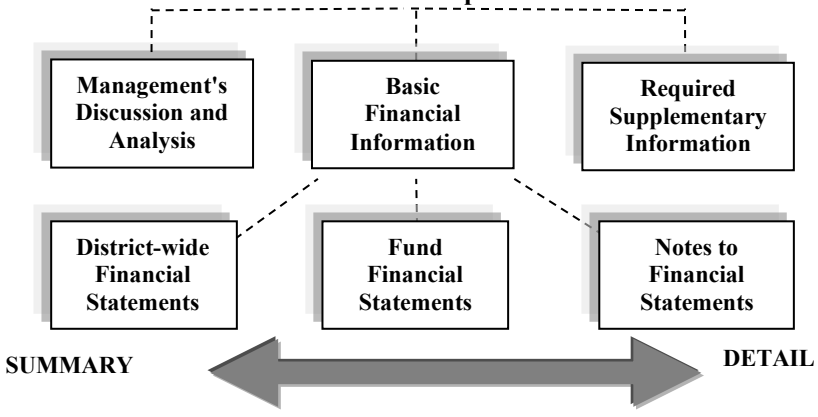
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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



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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2025, than it was the year before – decreasing 4.5% to $105.5 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2025	2024*	
Assets			
Current assets	$ 155,293,434	$ 129,331,907	$ 25,961,527
Capital assets	113,769,664	110,421,019	3,348,645
Total assets	269,063,098	239,752,926	29,310,172
Deferred outflows of resources	41,427,526	40,986,163	441,363
Liabilities			
Current liabilities	17,339,400	11,731,988	5,607,412
Long-term liabilities	171,254,079	143,300,328	27,953,751
Total liabilities	188,593,479	155,032,316	33,561,163
Deferred inflows of resources	16,442,470	15,287,883	1,154,587
Net position			
Net investment in capital assets	74,486,707	71,641,520	2,845,187
Restricted	50,876,673	52,337,090	(1,460,417)
Unrestricted	(19,908,705)	(13,559,720)	(6,348,985)
Total net position	$ 105,454,675	$ 110,418,890	$ (4,964,215)

**As restated*

Changes in net position, governmental activities. The District's total revenues decreased 9.2% to $153.4 million (See Table A-2). The decrease is due primarily to a decrease in operating grants and contributions.

The total cost of all programs and services increased 6.2% to $158.4 million. The District's expenses are predominantly related to educating and caring for students, 73.2%. The purely administrative activities of the District accounted for just 7.1% of total costs. A significant contributor to the increase in costs was an increase in expenses for maintenance and operation of school facilities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2025	2024	
Revenues			
Program Revenues:			
Charges for services	$ 1,288,067	$ 1,723,126	$ (435,059)
Operating grants and contributions	35,626,126	48,466,710	(12,840,584)
Capital grants and contributions	2,252,744	4,868	2,247,876
General Revenues:			
Property taxes	18,045,323	17,173,251	872,072
Federal and state aid not restricted	89,352,595	94,921,620	(5,569,025)
Other general revenues	6,853,977	6,587,650	266,327
Total Revenues	153,418,832	168,877,225	(15,458,393)
Expenses			
Instruction-related	89,827,654	86,225,544	3,602,110
Pupil services	26,075,509	23,013,879	3,061,630
Administration	11,305,332	16,156,666	(4,851,334)
Plant services	21,342,885	16,071,905	5,270,980
All other activities	9,831,667	7,734,019	2,097,648
Total Expenses	158,383,047	149,202,013	9,181,034
Increase (decrease) in net position	(4,964,215)	19,675,212	(24,639,427)
Net Position	$ 105,454,675	$ 110,418,890	$ (4,964,215)

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 $138.0 million, which is above last year's ending fund balance of $117.0 million. The primary cause of the increased fund balance is proceeds from bonds issued in the current year.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2024	Revenues	Expenditures	Other Financing Uses and Sources	June 30, 2025
Fund					
General Fund	$ 93,958,790	$ 141,094,287	$ 152,215,815	$ 859,414	$ 83,696,676
Student Activity Fund	366,516	563,468	558,335	-	371,649
Cafeteria Fund	6,601,121	9,908,322	10,535,814	-	5,973,629
Deferred Maintenance Fund	8,230,288	896,584	3,966,237	-	5,160,635
Building Fund	-	382,888	500,171	32,000,000	31,882,717
Capital Facilities Fund	4,671,473	2,097,138	2,546,797	-	4,221,814
County School Facilities Fund	158,030	2,252,743	-	-	2,410,773
Bond Interest and Redemption Fund	3,012,622	3,064,122	2,651,861	829,520	4,254,403
Total	$ 116,998,840	$ 160,259,552	$ 172,975,030	$ 33,688,934	$ 137,972,296

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 $6.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $0.9 million to reflect revised cost estimates.
- Other non-personnel expenses – increased $6.5 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by about $12.1 million, the actual results for the year show that expenditures exceeded revenues by roughly $11.1 million. Actual revenues were $3.1 million less than anticipated, and expenditures were $4.1 million less than budgeted. That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2025, that will be carried over into the 2025-26 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024-25 the District had acquired $9.3 million in new capital assets, related to land, construction in progress, site improvements, leases, subscription assets, 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 $5.5 million and amortization was $0.5 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2025	2024	
Land	$ 3,152,399	$ 3,152,399	$ -
Improvement of sites	46,293,347	33,584,696	12,708,651
Buildings	54,061,932	56,442,629	(2,380,697)
Equipment	5,139,312	4,911,327	227,985
Construction in progress	2,968,836	11,520,017	(8,551,181)
Leased assets	1,342,930	368,772	974,158
Subscription assets	810,908	441,179	369,729
Total	$ 113,769,664	$ 110,421,019	$ 3,348,645

Long-Term Debt

At year-end the District had $171.3 million in long-term liabilities – an increase of 19.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance Increase
	2025	2024*	(Decrease)
General obligation bonds	$ 65,388,961	$ 32,947,794	$ 32,441,167
Subscription based IT arrangements	277,732	181,450	96,282
Lease liability	1,255,381	292,212	963,169
Compensated absences	4,520,679	4,299,374	221,305
Private placement refunding bonds	11,360,000	11,970,000	(610,000)
Other postemployment benefits	1,030,136	1,259,128	(228,992)
Net pension liability	87,421,190	92,350,370	(4,929,180)
Total	$ 171,254,079	$ 143,300,328	$ 27,953,751

**As restated*

FACTORS BEARING ON THE DISTRICT'S FUTURE

California State Budget
The Budget aims to solve a $11.8 billion General Fund deficit for 2025-26 through reductions, borrowing and fund shifts. The 2025-26 Enacted Budget relies on reserves and deferrals to meet its Proposition 98 obligations for the fiscal year, including the scheduled $7.1 billion Budget Stabilization Act (BSA) withdrawal in 2025-26. This will leave a combined reserve balance of $15.7 billion in 2025-26, including $11.2 billion in the BSA and an additional $4.5 billion in the state's discretionary reserve account (the Special Fund for Economic Uncertainties).

TK-12 Education
The Budget includes total funding of $137.6 billion ($80.5 billion General Fund and $57.1 billion other funds) for all TK-12 education programs.

Proposition 98
The Budget revised estimates of General Fund revenues resulting in notable adjustments to the Proposition 98 Guarantee. The revised Guarantee for TK-14 schools is calculated to be $98.5 billion in 2023-24, $119.9 billion in 2024-25, and $114.6 billion in 2025-26. These revised Proposition 98 levels represent an increase of approximately $3.9 billion over the three-year period relative to the 2024 Budget Act. The Budget appropriates the 2024-25 Guarantee at $118 billion, instead of the currently calculated level of $119.9 billion. The difference between the appropriated and the calculated levels is $1.9 billion, which is referred to as "settle-up." The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Budget shifts the full TK expansion funding to the TK-12 education side of the Proposition 98 budget, beginning in the 2025-26 fiscal year. This shifts $232.9 million in ongoing resources from community colleges to TK-12 schools. The purpose of re-benching Proposition 98 for the cost of TK expansion is to ensure that the implementation of universal TK does not create a fiscal burden on existing TK-12 programs.

The Budget includes a LCFF cost-of-living adjustment of 2.3 percent. When combined with population growth adjustments, these baseline adjustments will increase discretionary funds for local educational agencies (LEAs) by $2.1 billion compared to the 2024 Budget Act. To fully fund the LCFF, the Budget uses $405.3 million from the Proposition 98 Rainy Day Fund to support LCFF costs in 2025-26.

FACTORS BEARING ON THE DISTRICT'S FUTURE(continued)

Proposition 98 (continued)
Budgetary deferrals of $246.6 million for TK-12 education from 2024-25 will be fully repaid in 2025-26. However, to fully fund the LCFF and maintain the level of 2025-26 principal apportionments, the Budget defers $1.9 billion in LCFF funding from June 2026 to July 2026.

Funding Results for Education Programs
In the 2025-26 school year, the Budget provides a total of $2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK. The Budget also provides an additional $1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

The Budget provides $515.1 million ongoing for the full implementation of the Expanded Learning Opportunities Program by increasing the number of elementary schools that offer universal access to students. Additionally, the Budget includes $10.4 million to increase the minimum grant amount from $50,000 to $100,000 per LEA.

The Budget provides $480 million to support literacy instruction aligned with the ELA/ELD Framework and includes multiple investments intended to support teachers and improve access to the educator pipeline. In addition, the Budget allocates $1.7 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block Grant, as well as numerous one-time grants for various new and ongoing program support.

Federal Implications
Because the State Budget was approved in late June, it does not reflect the impact of the cuts in federal spending included in the federal omnibus tax and spending bill signed in early July. The bill does not make any statutory or direct funding adjustments to TK-12 federal education programs, including Title I and the Individuals with Disabilities Education Act. However, the bill allocates $100 million to the OMB to conduct reviews across the executive branch aimed at identifying "budget and accounting efficiencies."

All of these factors were considered in preparing the Morongo Unified School District budget for the 2025-26 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 David Daniels, Assistant Superintendent-Business Services, Morongo Unified School District, 5715 Utah Trail, P.O. Box 1209, Twentynine Palms, California 92277.

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Net Position

June 30, 2025

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 144,553,927
Accounts receivable	10,162,570
Inventories	425,214
Prepaid expenses	151,723
Capital assets:	
Non-depreciable assets	6,121,235
Depreciable assets	187,549,270
Less accumulated depreciation	(82,054,679)
Leased assets	2,141,450
Less accumulated amortization	(798,520)
Subscription assets	1,231,756
Less accumulated amortization	(420,848)
Total assets	269,063,098
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	39,626,938
Deferred outflows related to OPEB	105,636
Deferred amounts on refunding	1,694,952
Total deferred outflows of resources	41,427,526
LIABILITIES	
Accounts payable	14,878,109
Accrued interest payable	809,244
Unearned revenue	1,652,047
Noncurrent liabilities:	
Due or payable within one year	2,099,213
Due or payable after one year:	
Other than OPEB and pensions	80,703,540
Total OPEB liability	1,030,136
Net pension liability	87,421,190
Total liabilities	188,593,479
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	15,908,138
Deferred inflows related to OPEB	534,332
Total deferred inflows of resources	16,442,470
NET POSITION	
Net investment in capital assets	74,486,707
Restricted for:	
Capital projects	6,632,587
Debt service	4,254,403
Student activity	371,649
Categorical programs	38,827,052
Self-insurance program	790,982
Unrestricted	(19,908,705)
Total net position	$ 105,454,675

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental Activities:					
Instructional Services:					
Instruction	$ 73,665,650	$ 9,287	$ 17,344,303	$ 2,252,744	$ (54,059,316)
Instruction-Related Services:					
Supervision of instruction	5,305,669	18,858	2,476,120	-	(2,810,691)
Instructional library, media and technology	1,838,491	-	359,536	-	(1,478,955)
School site administration	9,017,844	516	(210,606)	-	(9,227,934)
Pupil Support Services:					
Home-to-school transportation	6,526,844	-	36,278	-	(6,490,566)
Food services	10,038,537	96,485	9,527,772	-	(414,280)
All other pupil services	9,510,128	83,070	2,133,107	-	(7,293,951)
General Administration Services:					
Data processing services	2,869,651	17,723	44,999	-	(2,806,929)
Other general administration	8,435,681	22,959	1,864,145	-	(6,548,577)
Plant Services	21,342,885	507,449	682,738	-	(20,152,698)
Ancillary Services	1,196,795	-	542,738	-	(654,057)
Community Services	286,370	-	114,252	-	(172,118)
Interest on Long-Term Debt	2,395,789	-	-	-	(2,395,789)
Other Outgo	2,532	531,720	710,744	-	1,239,932
Depreciation (unallocated)	5,472,746	-	-	-	(5,472,746)
Amortization (unallocated)	477,435	-	-	-	(477,435)
Total Governmental Activities	$ 158,383,047	$ 1,288,067	$ 35,626,126	$ 2,252,744	(119,216,110)
	General Revenues:				
	Property taxes				18,045,323
	Federal and state aid not restricted to specific purpose				89,352,595
	Interest and investment earnings				5,908,773
	Interagency revenues				250
	Miscellaneous				944,954
	Total general revenues				114,251,895
	Change in net position				(4,964,215)
	Net position - July 1, 2024, as originally stated				114,104,010
	Adjustment for restatement (Note 13)				(3,685,120)
	Net position - July 1, 2024, as restated				110,418,890
	Net position - June 30, 2025				$ 105,454,675

MORONGO UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 95,736,930	$ 31,907,935	$ 16,100,589	$ 143,745,454
Accounts receivable	8,287,708	170,953	1,694,826	10,153,487
Due from other funds	910,785	-	-	910,785
Inventories	25,323	-	399,891	425,214
Prepaid expenditures	151,723	-	-	151,723
Total Assets	$ 105,112,469	$ 32,078,888	$ 18,195,306	$ 155,386,663
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 14,634,303	$ 196,171	$ 21,061	$ 14,851,535
Due to other funds	-	-	910,785	910,785
Unearned revenues	1,620,855	-	31,192	1,652,047
Total Liabilities	16,255,158	196,171	963,038	17,414,367
Fund Balances				
Nonspendable	212,046	-	399,991	612,037
Restricted	32,853,423	31,882,717	16,832,277	81,568,417
Committed	27,800,000	-	-	27,800,000
Assigned	23,493,995	-	-	23,493,995
Unassigned	4,497,847	-	-	4,497,847
Total Fund Balances	88,857,311	31,882,717	17,232,268	137,972,296
Total Liabilities and Fund Balances	$ 105,112,469	$ 32,078,888	$ 18,195,306	$ 155,386,663

MORONGO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total fund balances - governmental funds			$ 137,972,296
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets, lease assets, subscription assets, accumulated depreciation, amd accumulated amortization.			
	Capital assets at historical cost	193,670,505	
	Accumulated depreciation	(82,054,679)	
	Subscription assets at historical cost	2,141,450	
	Lease assets at historical cost	1,231,756	
	Accumulated amortization	(1,219,368)	113,769,664
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:			(809,244)
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:			1,694,952
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	39,626,938	
	Deferred inflows of resources relating to pensions	(15,908,138)	23,718,800
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	105,636	
	Deferred inflows of resources relating to OPEB	(534,332)	(428,696)
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	65,388,961	
	Subscription Based IT Arrangements	277,732	
	Lease liability	1,255,381	
	Compensated absences payable	4,520,679	
	Private placement refunding bonds	11,360,000	
	Other postemployment benefits payable	1,030,136	
	Net pension liability	87,421,190	(171,254,079)
Internal service funds are used to conduct certain activities for which costs are changed 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:			790,982
Total net position - governmental activities			$ 105,454,675

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2025

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 99,633,452	$ -	$ -	$ 99,633,452
Federal sources	10,081,882	-	7,441,293	17,523,175
Other state sources	24,358,455	-	4,363,744	28,722,199
Other local sources	7,917,082	382,888	6,080,756	14,380,726
Total Revenues	141,990,871	382,888	17,885,793	160,259,552
EXPENDITURES				
Current:				
Instructional services:				
Instruction	83,255,318	-	-	83,255,318
Instruction-related services:				
Supervision of instruction	6,214,463	-	-	6,214,463
Instructional library, media and technology	1,920,159	-	-	1,920,159
School site administration	10,113,661	-	-	10,113,661
Pupil support services:				
Home-to-school transportation	6,523,236	-	-	6,523,236
Food services	-	-	10,234,702	10,234,702
All other pupil services	10,757,881	-	-	10,757,881
Ancillary services	669,504	-	558,335	1,227,839
Community services	281,813	-	-	281,813
General administration services:				
Data processing services	2,854,085	-	-	2,854,085
Other general administration	9,360,353	-	4,075	9,364,428
Plant services	17,999,451	-	2,541,593	20,541,044
Transfers of indirect costs	(294,963)	-	294,963	-
Capital outlay	6,213,887	196,171	7,278	6,417,336
Intergovernmental transfers	2,532	-	-	2,532
Debt service:				
Principal	299,963	-	1,470,000	1,769,963
Interest	10,709	-	1,181,861	1,192,570
Issuance costs	-	304,000	-	304,000
Total Expenditures	156,182,052	500,171	16,292,807	172,975,030
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,191,181)	(117,283)	1,592,986	(12,715,478)
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	(500,000)	-	-	(500,000)
Proceeds on issuance of debt -GO bonds	-	32,000,000	-	32,000,000
Proceeds on issuance of debt - leases and SBITAs	1,359,414	-	-	1,359,414
Premiums on issuance of debt	-	-	829,520	829,520
Total Other Financing Sources and Uses	859,414	32,000,000	829,520	33,688,934
Net Change in Fund Balances	(13,331,767)	31,882,717	2,422,506	20,973,456
Fund Balances, July 1, 2024	102,189,078	-	14,809,762	116,998,840
Fund Balances, June 30, 2025	$ 88,857,311	$ 31,882,717	$ 17,232,268	$ 137,972,296

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, 2025

Total net change in fund balances - governmental funds		$ 20,973,456
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, depreciation, and amortization expense for the period is:		
Expenditures for capital outlay:	7,477,504	
Depreciation expense:	(5,472,746)	
Expenditures for leases and subscriptions:	1,821,322	
Amortization expense	(477,435)	
Net:		3,348,645
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:		1,769,963
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:		(34,188,934)
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. The difference between accreted interest paid and earned was:		(528,513)
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:		56,866
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is:		(120,352)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(305,979)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis costs and actual employer contributions was:		4,422,497
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:		(221,305)
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:		142,803
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:		(313,362)
Change in net position of governmental activities		$ (4,964,215)

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2025

	Governmental Activities
	Internal Service Fund
ASSETS	
Deposits and investments	$ 808,473
Accounts receivable	9,083
Total assets	817,556
LIABILITIES	
Accounts payable	26,574
NET POSITION	
Restricted	$ 790,982

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2025

	Governmental Activities Internal Service Fund
OPERATING EXPENSES	
Payments for claims and other operating expenses	$ 868,429
OPERATING INCOME (LOSS)	(868,429)
NON-OPERATING REVENUES	
Interest and investment income	55,067
INCOME BEFORE TRANSFERS	(813,362)
Interfund transfers in	500,000
Change in net position	(313,362)
Net position, July 1, 2024	1,104,344
Net position, June 30, 2025	$ 790,982

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2025

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to vendors and suppliers	$ (845,655)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	53,489
CASH FLOWS FROM FINANCING ACTIVITIES	
Interfund transfer	500,000
Net increase (decrease) in cash and cash equivalents	(292,166)
Cash and cash equivalents, July 1, 2024	1,100,639
Cash and cash equivalents, June 30, 2025	$ 808,473
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (868,429)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts payable and accrued liabilities	22,774
Net cash used by operating activities	$ (845,655)

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.

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.

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. Separate statements for each fund category – *governmental* and *proprietary* - 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.

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.

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.

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).

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).

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.).

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).

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)

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.

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. 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.

D. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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:

Description	Estimated Lives
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 District has implemented GASB Statement No. 101, *Compensated Absences.* A liability is reported for unused vacation leave. Although sick leave is not paid out upon separation, a liability is recorded for the portion of sick leave that is more likely than not to be used for paid time off. The liability is measured using current pay rates and includes applicable salary-related costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases

Lessee:
The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying assets.

Lessor:
The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

8. Subscription-Based Information Technology Arrangements
The District recognizes a subscription liability and an intangible right-to-use subscriptions IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the lease liability, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset. The amortization period varies from 2 to 4 years.

9. 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.

10. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. 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.

12. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

F. 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.

G. 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.

H. Change in Accounting Principle

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences.* This standard requires the recognition of accrued compensated absences as a liability in the financial statements. The implementation resulted in a cumulative effect adjustment to beginning net position to reflect the recognition of accumulated leave liabilities previously unrecorded. The impact on the District's beginning net position was a decrease of $3,685,120.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

Governmental funds	$	143,745,454
Proprietary funds		808,473
Total deposits and investments	$	144,553,927

Deposits and investments as of June 30, 2025 consist of the following:

Cash on hand and in banks	$	5,335,493
Cash in revolving fund		35,100
Investments		139,183,334
Total deposits and investments	$	144,553,927

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing San Bernardino County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the San Bernardino County Treasurer for the entire portfolio (in relation to the amortized cost of that polio). The balance available for withdrawal is based on the accounting records maintained by the San Bernardino County Treasurer, which is recorded on the amortized basis.

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, 2025, $5,280,349 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2025, consist of the following:

	Reported Amount	Less Than One Year	Through Five Years	Fair Value Measurement	Rating
Investments:					
San Bernardino County Pool	$ 139,183,334	$ 139,183,334	$ -	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, 2025, 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, 2025, the District had no investments outside the County Treasury.

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

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

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
Federal Government:					
Categorical aid programs	$ 2,824,314	$ -	$ 1,136,291	$ 3,960,605	$ -
State Government:					
Lottery	510,495	-	-	510,495	-
Categorical aid programs	3,632,375	-	334,581	3,966,956	-
Local:					
Interest	1,065,459	170,953	66,090	1,302,502	9,083
Other local sources	255,065	-	157,864	412,929	-
Total	$ 8,287,708	$ 170,953	$ 1,694,826	$ 10,153,487	$ 9,083

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2025, consisted of the following:

Cafeteria Fund due to General Fund for payroll and operating expenses	$ 910,785

B. Transfers To/From Other Funds

Transfers to/from other funds during the fiscal year consisted of the following:

General Fund transfer to Self-Insurance Fund for operating expenses	$ 500,000

NOTE 5 – FUND BALANCES

At June 30, 2025, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 35,000	$ -	$ 100	$ 35,100
Stores inventories	25,323	-	399,891	425,214
Prepaid expenditures	151,723	-	-	151,723
Total Nonspendable	212,046	-	399,991	612,037
Restricted:				
Categorical programs	32,853,423	-	-	32,853,423
Food service program	-	-	5,573,638	5,573,638
Capital projects	-	31,882,717	6,632,587	38,515,304
Debt service	-	-	4,254,403	4,254,403
Student activity	-	-	371,649	371,649
Total Restricted	32,853,423	31,882,717	16,832,277	81,568,417
Committed:				
Technology infrastructure	7,800,000	-	-	7,800,000
Textbook adoption	8,000,000	-	-	8,000,000
Budget stabilization reserve	12,000,000	-	-	12,000,000
Total Committed	27,800,000	-	-	27,800,000
Assigned:				
Economic uncertainties	18,333,360	-	-	18,333,360
Deferred maintenance program	5,160,635	-	-	5,160,635
Total Assigned	23,493,995	-	-	23,493,995
Unassigned:				
Reserve for economic uncertainties	4,525,700	-	-	4,525,700
Remaining unassigned balances	(27,853)	-	-	(27,853)
Total Unassigned	4,497,847	-	-	4,497,847
Total	$ 88,857,311	$ 31,882,717	$ 17,232,268	$ 137,972,296

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2025, was as follows:

Capital assets not being depreciated:	Balance, July 1, 2024	Additions	Deletions	Balance, June 30, 2025
Land	$ 3,152,399	$ -	$ -	$ 3,152,399
Construction in progress	11,520,017	5,582,938	14,134,119	2,968,836
Total capital assets not being depreciated	14,672,416	5,582,938	14,134,119	6,121,235
Capital assets being depreciated:				
Improvement of sites	49,199,491	15,034,294	-	64,233,785
Buildings	111,278,114	-	-	111,278,114
Equipment	11,068,621	994,391	25,641	12,037,371
Total capital assets being depreciated	171,546,226	16,028,685	25,641	187,549,270
Accumulated depreciation for:				
Improvement of sites	(15,614,795)	(2,325,643)	-	(17,940,438)
Buildings	(54,835,485)	(2,380,697)	-	(57,216,182)
Equipment	(6,157,294)	(766,406)	(25,641)	(6,898,059)
Total accumulated depreciation	(76,607,574)	(5,472,746)	(25,641)	(82,054,679)
Total capital assets being depreciated, net	94,938,652	10,555,939	-	105,494,591
Leased Assets:				
Equipment leases	921,930	1,219,520	-	2,141,450
Accumulated amortization for:				
Equipment leases	(553,158)	(245,362)	-	(798,520)
Total leased assets, net	368,772	974,158	-	1,342,930
Subscription assets:				
IT Subscriptions	629,954	601,802	-	1,231,756
Accumulated amortization for:				
IT Subscriptions	(188,775)	(232,073)	-	(420,848)
Total subscription assets, net	441,179	369,729	-	810,908
Governmental activities capital assets, net	$ 110,421,019	$ 17,482,764	$ 14,134,119	$ 113,769,664

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the year ended June 30, 2025, were as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025	Amount Due Within One Year
General Obligation Bonds:					
Principal	$ 27,579,127	$ 32,000,000	$ 860,000	$ 58,719,127	$ 975,000
Accreted Interest Component	4,615,203	528,513	-	5,143,716	-
Unamortized Issuance Premium	753,464	829,520	56,866	1,526,118	27,651
Subtotal Bonds	32,947,794	33,358,033	916,866	65,388,961	1,002,651
Lease Liability	292,212	1,219,520	256,351	1,255,381	322,944
Subscription Based IT Arrangements	181,450	139,894	43,612	277,732	113,618
Compensated Absences					
Vacation Liability	614,254	-	27,662	586,592	-
Sick Time*	3,685,120	248,967	-	3,934,087	-
Private Placement Debt					
2022 GO Refunding - First Foundation	11,970,000	-	610,000	11,360,000	660,000
Totals	$ 49,690,830	$ 34,966,414	$ 1,854,491	$ 82,802,753	$ 2,099,213

**As restated for implementation of GASB 101*

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

Payments for general obligation bonds (including private placement bonds) are made by the Bond Interest and Redemption Fund. Additions and deductions for compensated absences are reported net of their cumulative change in the current year. Payments for leases and subscription liabilities 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.

Election of 2024 (Measure C)
Oo November 5, 2024, the District passed Measure C, authorizing the issuance of $88,300,000 in bonds to repair or replace aging roofs; modernize/renovate classrooms, restrooms and school facilities; upgrade aging electrical systems; and improve outdated technology.

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, 2025, 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, 2025, deferred amounts on refunding were $1,694,952.

A summary of all bonds issued and outstanding at June 30, 2025 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2024	Issuances	Redemptions	Balance, June 30, 2025
Election of 2005 (Measure O)								
Series C	3/29/2012	8/1/2042	4.34% - 12.00%	$ 17,147,652	$ 4,994,127	$ -	$ -	$ 4,994,127
Election of 2024								
Series 2025	4/17/2025	8/1/2054	4.125%-5.0%	32,000,000	-	32,000,000	-	32,000,000
Refunding Bonds								
2018 Ref.	4/4/2018	8/1/2039	2.0% - 5.0%	24,510,000	22,585,000	-	860,000	21,725,000
					$ 27,579,127	$ 32,000,000	$ 860,000	$ 58,719,127
Private Placement Refunding Bonds								
2022 Ref.	5/5/2022	8/1/2042	2.50%	12,690,000	$ 11,970,000	$ -	$ 610,000	$ 11,360,000
				Accreted Interest:				
				Convertible CABs	$ 4,615,203	$ 528,513	$ -	$ 5,143,716

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding at June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Totals
2025-2026	$ 975,000	$ 2,062,339	$ 3,037,339
2026-2027	1,395,000	2,803,542	4,198,542
2027-2028	2,050,000	2,717,418	4,767,418
2028-2029	560,000	2,652,168	3,212,168
2029-2030	585,000	2,623,543	3,208,543
2030-2035	8,450,000	12,232,960	20,682,960
2035-2040	13,683,156	10,050,003	23,733,159
2040-2045	8,235,971	5,985,644	14,221,615
2045-2050	8,735,000	4,012,975	12,747,975
2050-2055	14,050,000	1,595,903	15,645,903
Totals	$ 58,719,127	$ 46,736,495	$ 105,455,622

B. Lease Liability

The District is involved in several leases for equipment. The initial terms for these leases range from 36 to 60 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the payments to the net present value. Other key assumptions and policies can be found in Note 1.D.7. The related asset disclosures are presented in Note 6.

Fiscal Year	Principal	Interest	Totals
2025-2026	$ 322,944	$ 8,452	$ 331,396
2026-2027	237,962	26,038	264,000
2027-2028	245,591	18,409	264,000
2028-2029	253,465	10,535	264,000
2029-2030	195,419	2,582	198,001
Totals	$ 1,255,381	$ 66,016	$ 1,321,397

C. Subscription Based IT Arrangements

The District is involved in several arrangements for subscription based software. The initial terms for these subscriptions range from 24 to 36 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.D. The related asset disclosures are presented in Note 6.

Fiscal Year	Principal	Interest	Totals
2025-2026	$ 113,618	$ 4,561	$ 118,179
2026-2027	116,971	1,208	118,179
2027-2028	47,143	-	47,143
Totals	$ 277,732	$ 5,769	$ 283,501

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

D. Private Placement Debt

2022 General Obligation Refunding Bonds
On May 5, 2022, the District issued $12,690,000 of General Obligation Private Placement Refunding Bonds. The bonds bear a fixed interest rate of 2.5% with a maturity date of August 1, 2042. The net proceeds of $12,462,692 (after issuance costs) were used to prepay a portion of the 2005C General Obligation Bonds and a portion of the 2012 Refunding Bonds, and to pay costs of issuance of the refunding bonds. In the event of default, bond owners have the right to enforce all remedies available under the paying agent agreement.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased, and the related liability for the bonds has been removed from the District's liabilities. At June 30, 2025, none of the principal balance on the defeased debt remained outstanding.

The total future payments owing at June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Totals
2025-2026	$ 660,000	$ 275,750	$ 935,750
2026-2027	710,000	258,625	968,625
2027-2028	755,000	240,313	995,313
2028-2029	805,000	220,813	1,025,813
2029-2030	865,000	199,938	1,064,938
2030-2035	150,000	931,250	1,081,250
2035-2040	50,000	923,750	973,750
2040-2043	7,365,000	407,063	7,772,063
Totals	$ 11,360,000	$ 3,457,502	$ 14,817,502

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2025, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 739,947	$ 105,636	$ 534,332	$ (11,265)
MPP Program	290,189	-	-	(47,353)
Total	$ 1,030,136	$ 105,636	$ 534,332	$ (58,618)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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 District moved to the CalPERS Medical Pool in 2022 which requires the employer to pay the PEMHCA minimum to retirees participating in a CalPERS medical plan. The District invoked the unequal contribution method under California Government Code 22892 as well as a 50-year service requirement under 22895 for future retirees to be eligible for these payments. Retirees at the time of the change were eligible to receive the PEMHCA minimum payments without 50 years of service. Lifetime benefits are offered and the district contribution is 100% up to a District cap of $15.70 in 2024 increasing to 5% of PEMHCA minimum ($157/month in 2024).

Employees covered by benefit terms
As of the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Active employees	842
Total	867

Total OPEB Liability
The District's total OPEB liability of $739,947 for the Plan was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2024.

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2024 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, 2024
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

Discount Rate
The discount rate of 5.20 percent is based on the Bond Buyer 20 Bond Index.

Mortality Rates
The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS, the 2021 CalPERS Mortality table for Retired Miscellaneous Employees and the 2021 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.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2024	$ 921,586
Changes for the year:	
Service cost	5,798
Interest	34,678
Changes of assumptions	(137,930)
Benefit payments	(84,185)
Net changes	(181,639)
Balance at June 30, 2025	$ 739,947

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	$ 846,366
Current discount rate	$ 739,947
1% increase	$ 660,923

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	$ 647,698
Current trend rate	$ 739,947
1% increase	$ 810,512

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2025, the District recognized OPEB expense of $(11,265). In addition, at June 30, 2025, 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	$ 66,745	$ 212,841
Changes of assumptions	38,891	321,491
Total	$ 105,636	$ 534,332

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)
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
2026	$ 11,924	$ 63,665
2027	11,924	63,665
2028	11,924	63,665
2029	11,924	63,665
2030	11,924	63,665
Thereafter	46,016	216,007
Totals	$ 105,636	$ 534,332

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, 2023 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 pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2024, 4,121 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 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability
At June 30, 2025, the District reported a liability of $290,189 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, 2024, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total OPEB liability to June 30, 2024. 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:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	Change Increase/ (Decrease)
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net OPEB Liability	0.108869%	0.111240%	-0.002371%

For the year ended June 30, 2025, the District reported OPEB expense of $(47,353).

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2023 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, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return	3.93%
Healthcare Cost Trend Rates	5.0% for Medicare Part A, and 6.5% 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 154 or an average of 0.12% of the potentially eligible population of 132,333.

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (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, 2024, 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, 2024, 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, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate		MPP OPEB Liability
1% decrease	$	313,108
Current discount rate	$	290,189
1% increase	$	270,038

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates		MPP OPEB Liability
1% decrease	$	268,829
Current trend rate	$	290,189
1% increase	$	314,037

NOTE 9 – 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).

NOTE 9 – PENSION PLANS (continued)

For the fiscal year ended June 30, 2025, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 50,123,285	$ 20,549,682	$ 11,542,441	$ 2,533,284
CalPERS	37,297,905	19,077,256	4,365,697	7,124,581
Total	$ 87,421,190	$ 39,626,938	$ 15,908,138	$ 9,657,865

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, 2023, 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 a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided (continued)
The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

Contributions
The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2025, are presented above, and the District's total contributions were $9,972,103.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	50,123,285
State's proportionate share of the net pension liability associated with the District		22,996,735
Total	$	73,120,020

NOTE 9 – 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, 2024. 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		
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	Change Increase/ (Decrease)
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.074629%	0.075206%	-0.000577%

For the year ended June 30, 2025, the District recognized pension expense of $2,533,284. In addition, the District recognized pension expense and revenue of $(2,197,216) for support provided by the State. At June 30, 2025, 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	$ 9,972,103	$ -
Net change in proportionate share of net pension liability	4,688,580	5,725,087
Difference between projected and actual earnings on pension plan investments	-	202,245
Changes of assumptions	219,410	3,423,246
Differences between expected and actual experience	5,669,589	2,191,863
Total	$ 20,549,682	$ 11,542,441

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.

NOTE 9 – 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
2026	$ 1,404,286	$ 5,327,299
2027	5,649,948	1,073,512
2028	983,745	1,513,079
2029	1,155,741	1,741,444
2030	1,331,867	912,156
Thereafter	51,992	974,951
Total	$ 10,577,579	$ 11,542,441

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, 2023, and rolling forward the total pension liability to June 30, 2024. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2024, include:

Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality amongst our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023 and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 are developed for each major asset class/strategy. Expected real rates of return are net of the 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return
Public Equity	38.0%	8.00%	5.25%
Real Estate	15.0%	6.80%	4.05%
Private Equity	14.0%	9.50%	6.75%
Fixed Income	14.0%	5.20%	2.45%
Risk Mitigating Strategies	10.0%	5.00%	2.25%
Inflation Sensitive	7.0%	6.40%	3.65%
Cash/Liquidity	2.0%	2.80%	0.05%

Discount Rate
The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the 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%)	$	89,152,922
Current discount rate (7.10%)	$	50,123,285
1% increase (8.10%)	$	17,531,918

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, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions 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 $4,643,504.

NOTE 9 – 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, 2023 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, 2025, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	27.05%	27.05%

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, 2025 are presented above, and the total District contributions were $6,305,454.

NOTE 9 – 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, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $37,297,905. The net pension liability was measured as of June 30, 2024. 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		
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	Change Increase/ (Decrease)
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.104362%	0.096889%	0.007473%

For the year ended June 30, 2025, the District recognized pension expense of $7,124,581. At June 30, 2025, 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	$ 6,305,454	$ -
Net change in proportionate share of net pension liability	3,272,943	-
Difference between projected and actual earnings on pension plan investments	5,547,565	4,098,757
Changes of assumptions	824,410	-
Differences between expected and actual experience	3,126,884	266,940
Total	$ 19,077,256	$ 4,365,697

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 3.9 years.

NOTE 9 – 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
2026	$ 5,938,189	$ 2,990,422
2027	4,873,657	458,425
2028	1,444,264	458,425
2029	515,692	458,425
2030	-	-
Thereafter	-	-
Total	$ 12,771,802	$ 4,365,697

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, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2023
Experience Study	2000-2019
Actuarial Cost Method	Individual entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 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 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

NOTE 9 – 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
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

Discount Rate
The discount rate used to measure the total pension liability was 6.9%. 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 (5.9%)	$	55,406,349
Current discount rate (6.9%)	$	37,297,905
1% increase (7.9%)	$	22,338,889

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 Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2025, the District reported payables of $870,550 and $29,553 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2025.

NOTE 10 – JOINT VENTURES

The Morongo Unified School District participates in joint ventures under joint powers agreements with 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 11 – 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, 2025, the District had $8.8 million in 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, 2025.

NOTE 12 – 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, 2025, the District participated in the Schools Excess Liability Fund and Southern California Schools Risk Management public entity risk pools for property and liability insurance coverage.

Workers' Compensation
For fiscal year 2024-25, the District participated in Southern California Risk Management for workers' compensation.

Employee Medical Benefits
The District has contracted with CalPERS and Southern California Schools Employee Benefits Association to provide employee medical, vision, and dental benefits.

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The District has implemented the provisions of GASB Statement No. 101, *Compensated Absences.* Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard.

	Statement of Activities
Net position - July 1, 2024, as originally stated	$ 114,104,010
Implementation of GASB 101	(3,685,120)
Net position - July 1, 2024, as restated	$ 110,418,890

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Required Supplementary Information

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MORONGO UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	$ 98,246,818	$ 98,957,750	$ 99,133,452	$ 175,702
Federal Sources	9,150,727	12,166,726	10,081,882	(2,084,844)
Other State Sources	26,913,431	27,570,055	24,358,455	(3,211,600)
Other Local Sources	3,801,201	5,492,374	7,520,498	2,028,124
Total Revenues	138,112,177	144,186,905	141,094,287	(3,092,618)
Expenditures				
Current:				
Certificated Salaries	55,963,079	57,471,124	56,657,119	814,005
Classified Salaries	24,748,892	24,862,921	24,605,114	257,807
Employee Benefits	35,666,354	34,901,752	34,903,525	(1,773)
Books and Supplies	9,209,017	10,598,530	7,375,007	3,223,523
Services and Other Operating Expenditures	19,428,916	23,253,159	22,450,709	802,450
Capital Outlay	4,011,952	5,316,311	5,285,301	31,010
Other Outgo	(139,597)	(126,438)	939,040	(1,065,478)
Total Expenditures	148,888,613	156,277,359	152,215,815	4,061,544
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,776,436)	(12,090,454)	(11,121,528)	968,926
Other Financing Sources and Uses				
Proceeds from leases and SBITAs	-	279,285	1,359,414	1,080,129
Transfer Out	-	(500,000)	(500,000)	-
Total Other Financing Sources and Uses	-	(220,715)	859,414	1,080,129
Net Change in Fund Balance	(10,776,436)	(12,311,169)	(10,262,114)	2,049,055
Fund Balances, July 1, 2024	93,958,790	93,958,790	93,958,790	-
Fund Balances, June 30, 2025	$ 83,182,354	$ 81,647,621	83,696,676	$ 2,049,055
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
		Deferred Maintenance Fund	5,160,635	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 88,857,311	

See accompanying notes to required supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year **Measurement Period**	**2024-25** **2023-24**	**2023-24** **2022-23**	**2022-23** **2021-22**	**2021-22** **2020-21**	**2020-21** **2019-20**
District's proportion of the net pension liability	0.0746%	0.0752%	0.0804%	0.0757%	0.0779%
District's proportionate share of the net pension liability	$ 50,123,285	$ 57,277,770	$ 55,870,848	$ 34,445,854	$ 75,448,447
State's proportionate share of the net pension liability associated with the District	22,996,735	27,443,390	27,979,902	17,331,818	38,893,683
Totals	$ 73,120,020	$ 84,721,160	$ 83,850,750	$ 51,777,672	$ 114,342,130
District's covered-employee payroll	$ 50,082,317	$ 47,241,247	$ 46,986,432	$ 42,509,586	$ 42,805,684
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.08%	121.25%	118.91%	81.03%	176.26%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%

Employer's Fiscal Year **Measurement Period**	**2019-20** **2018-19**	**2018-19** **2017-18**	**2017-18** **2016-17**	**2016-17** **2015-16**	**2015-16** **2014-15**
District's proportion of the net pension liability	0.0763%	0.0702%	0.0781%	0.0760%	0.0760%
District's proportionate share of the net pension liability	$ 68,908,575	$ 64,501,730	$ 72,209,767	$ 61,469,560	$ 51,317,105
State's proportionate share of the net pension liability associated with the District	37,594,228	36,930,257	42,718,688	34,998,676	27,141,019
Totals	$ 106,502,803	$ 101,431,987	$ 114,928,455	$ 96,468,236	$ 78,458,124
District's covered-employee payroll	$ 41,368,925	$ 38,451,185	$ 40,322,409	$ 37,465,079	$ 45,270,304
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.57%	167.75%	179.08%	164.07%	113.36%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

See accompanying notes to required supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year **Measurement Period**	**2024-25** **2023-24**	**2023-24** **2022-23**	**2022-23** **2021-22**	**2021-22** **2020-21**	**2020-21** **2019-20**
District's proportion of the net pension liability	0.1044%	0.0969%	0.0961%	0.0904%	0.0890%
District's proportionate share of the net pension liability	$ 37,297,905	$ 35,072,600	$ 33,063,057	$ 18,376,467	$ 27,294,615
District's covered-employee payroll	$ 20,888,707	$ 17,242,467	$ 15,254,238	$ 13,598,164	$ 13,498,590
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.56%	203.41%	216.75%	135.14%	202.20%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%

Employer's Fiscal Year **Measurement Period**	**2019-20** **2018-19**	**2018-19** **2017-18**	**2017-18** **2016-17**	**2016-17** **2015-16**	**2015-16** **2014-15**
District's proportion of the net pension liability	0.0887%	0.0868%	0.0901%	0.0904%	0.0897%
District's proportionate share of the net pension liability	$ 25,853,268	$ 23,145,121	$ 21,501,450	$ 17,854,056	$ 13,222,512
District's covered-employee payroll	$ 13,161,865	$ 12,456,423	$ 13,004,853	$ 9,674,441	$ 9,737,732
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.43%	185.81%	165.33%	184.55%	135.79%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalSTRS

For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	$ 9,972,103	$ 9,565,723	$ 9,023,078	$ 7,950,104	$ 6,865,298
Contributions in relation to the contractually required contribution	9,972,103	9,565,723	9,023,078	7,950,104	6,865,298
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 52,209,964	$ 50,082,317	$ 47,241,247	$ 46,986,432	$ 42,509,586
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	19.10%	16.92%	16.15%

Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	$ 7,319,772	$ 6,734,861	$ 5,548,506	$ 5,072,559	$ 4,020,003
Contributions in relation to the contractually required contribution	7,319,772	6,734,861	5,548,506	5,072,559	4,020,003
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 42,805,684	$ 41,368,925	$ 38,451,185	$ 40,322,409	$ 37,465,079
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalPERS

For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	$ 6,305,454	$ 5,573,107	$ 4,374,414	$ 3,494,746	$ 2,814,820
Contributions in relation to the contractually required contribution	6,305,454	5,573,107	4,374,414	3,494,746	2,814,820
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 23,310,366	$ 20,888,707	$ 17,242,467	$ 15,254,238	$ 13,598,164
Contributions as a percentage of covered-employee payroll	27.050%	26.680%	25.370%	22.910%	20.700%

Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	$ 2,662,057	$ 2,377,296	$ 1,934,607	$ 1,806,114	$ 1,146,131
Contributions in relation to the contractually required contribution	2,662,057	2,377,296	1,934,607	1,806,114	1,146,131
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 13,498,590	$ 13,161,865	$ 12,456,423	$ 13,004,853	$ 9,674,441
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years*

Employer's Fiscal Year	**2024-25**	**2023-24**	**2022-23**	**2021-22**
Measurement Period	**2024-25**	**2023-24**	**2022-23**	**2021-22**
Total OPEB liability				
Service cost	$ 5,798	$ 4,566	$ 4,444	$ 126,356
Interest	34,678	31,725	33,076	36,852
Changes of benefit terms	-	-	-	(541,480)
Differences between expected and actual experience	-	77,687	-	(3,567)
Changes of assumptions or other inputs	(137,930)	(21,572)	(15,579)	(235,101)
Benefit payments	(84,185)	(75,441)	(98,889)	(88,804)
Net change in total OPEB liability	(181,639)	16,965	(76,948)	(705,744)
Total OPEB liability - beginning	921,586	904,621	981,569	1,687,313
Total OPEB liability - ending	$ 739,947	$ 921,586	$ 904,621	$ 981,569
Covered-employee payroll	$ 65,233,481	$ 63,487,573	$ 61,788,392	$ 60,134,688
Total OPEB liability as a percentage of covered-employee payroll	1.13%	1.45%	1.46%	1.63%

Employer's Fiscal Year	**2020-21**	**2019-20**	**2018-19**	**2017-18**
Measurement Period	**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	$ 1,687,313	$ 1,613,166	$ 1,842,704	$ 1,679,453
Covered-employee payroll	$ 58,525,244	$ 56,958,875	$ 55,434,429	$ 53,950,782
Total OPEB liability as a percentage of covered-employee payroll	2.88%	2.83%	3.32%	3.11%

** 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, 2025

Last Ten Fiscal Years*

Employer's Fiscal Year **Measurement Period**	**2024-25** **2023-24**	**2023-24** **2022-23**	**2022-23** **2021-22**	**2021-22** **2020-21**
District's proportion of net OPEB liability	0.1089%	0.1112%	0.1207%	0.1138%
District's proportionate share of net OPEB liability	$ 290,189	$ 337,542	$ 397,510	$ 453,816
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)

Employer's Fiscal Year **Measurement Period**	**2020-21** **2019-20**	**2019-20** **2018-19**	**2018-19** **2017-18**	**2017-18** **2016-17**
District's proportion of net OPEB liability	0.1180%	0.1179%	0.1104%	0.1243%
District's proportionate share of net OPEB liability	$ 500,020	$ 439,139	$ 422,438	$ 522,830
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	0.40%	0.01%

** 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.*

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.

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.

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 3.93 percent to 5.20 percent since the previous valuation.

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. 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.

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

Change of assumptions – The discount rate was changed from 3.65 percent to 3.93 percent since the previous valuation.

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Supplementary Information

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MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2025

	Second Period Report	Annual Report
Regular ADA:		
Grades TK-3	2,251.22	2,254.72
Grades 4-6	1,603.93	1,606.16
Grades 7-8	956.45	953.74
Grades 9-12	1,773.92	1,750.51
Total ADA	6,585.52	6,565.13

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2025

Grade Level	2024-25 Minutes Requirement	2024-25 Actual Minutes	J-13A Credited	Total	Number of Days Traditional Calendar	J-13A Credited	Total	Status
Kindergarten	36,000	56,300	580	56,880	177	3	180	Complied
Grade 1	50,400	50,960	750	51,710	177	3	180	Complied
Grade 2	50,400	50,960	750	51,710	177	3	180	Complied
Grade 3	50,400	50,960	750	51,710	177	3	180	Complied
Grade 4	54,000	53,400	780	54,180	177	3	180	Complied
Grade 5	54,000	53,400	780	54,180	177	3	180	Complied
Grade 6	54,000	53,400	780	54,180	177	3	180	Complied
Grade 7	54,000	64,310	670	64,980	178	2	180	Complied
Grade 8	54,000	64,310	670	64,980	178	2	180	Complied
Grade 9	64,800	64,348	670	65,018	178	2	180	Complied
Grade 10	64,800	64,348	670	65,018	178	2	180	Complied
Grade 11	64,800	64,348	670	65,018	178	2	180	Complied
Grade 12	64,800	64,348	670	65,018	178	2	180	Complied

**The District received an approved J-13A waiver for 2 days at all sites and 1 additional day at Morongo Valley Elementary. The waivers cover 580 to 780 minutes, depending on grade level.*

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2025

General Fund	(Budget) 2026	2025 [2]	2024	2023
Revenues and other financing sources	$ 134,371,322	$ 142,453,701	$ 154,067,627	$ 163,215,611
Expenditures and other financing uses	148,332,492	152,715,815	148,770,769	129,967,009
Change in fund balance (deficit)	(13,961,170)	(10,262,114)	5,296,858	33,248,602
Ending fund balance	$ 69,735,506	$ 83,696,676	$ 93,958,790	$ 88,437,988
Available reserves [1]	$ 4,422,122	$ 4,497,847	$ 7,038,179	$ 4,249,554
Available reserves as a percentage of total outgo [1]	3.0%	2.9%	4.7%	3.3%
Total long-term debt	$ 169,154,866	$ 171,254,079	$ 143,300,328	$ 137,135,369
Average daily attendance at P-2	6,537	6,586	6,639	6,596

The General Fund balance has decreased by $5.0 million over the past two years. The fiscal year 2025-26 adopted budget projects a decrease of $14.0 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 surplus in two of the last three years, but anticipates incurring an operating deficit during the 2025-26 fiscal year. Long-term debt has increased by $34.1 million over the past two years.

Average daily attendance decreased by 10 ADA in the past two years. Budgeted ADA for fiscal year 2025-26 is 6,537.

[1] Available reserves consist of all unassigned fund balances in the General Fund. The District assigned nearly the entire fund balance that was not restricted or non-spendable, in the amount of $18,333,360. This amount is available to meet reserves and would result in reserves of 15% if reported as unassigned.

[2] 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.

MORONGO UNIFIED SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2025

	General Fund	Self-Insurance Fund
June 30, 2025, annual financial and budget report (SACS) fund balances	$ 84,383,874	$ 810,582
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Unearned revenue understated	(647,198)	-
Accounts receivable overstated	(40,000)	-
Accounts payable understated	-	(19,600)
June 30, 2025, audited financial statement fund balances	$ 83,696,676	$ 790,982

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
Federal Programs:				
U.S.Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program (needy)	10.553	13526	$ 1,694,341	
National School Lunch Program	10.555	13523	4,342,027	
Fresh Fruit and Vegetable Program	10.582	14968	165,105	
USDA Donated Foods	10.555	N/A	526,801	
Total Child Nutrition Cluster				$ 6,728,274
Passed through California Dept. Social Services:				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13393	667,796	
CACFP in Lieu of Commodities	10.558	13389	45,223	
Total Child and Adult Care Food Program				713,019
Total U.S.Department of Agriculture				7,441,293
U.S.Department of Education:				
Federal Impact Aid	84.041	N/A		1,013,992
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	3,695,995	
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	272,399	
Total Title I, Part A Grants				3,968,394
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332		54,060
Title II, Part A, Teacher Quality Local	84.367	14341		510,170
Title III, Limited English Proficiency	84.365	14346		35,689
Title V, Part B, Rural & Low Income School Program	84.358	14356		66,578
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		552,149
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14893		106,731
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	827,848	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	80,226	
ASES Rate Increase: ESSER III State Reserve Summer Learning Prog	84.425U	15652	540,662	
Total Education Stabilization Fund				1,448,736
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,914,428	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	85,256	
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	83,798	
Special Ed: Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	30,385	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,000	
Total Special Education (IDEA) Cluster				2,115,867
IDEA Early Intervention Grants, Part C	84.181	23761		74,070
Passed through the Department of Rehabilitation:				
Workability II, Transition Partnership	84.126	10006		163,299
Total U.S.Department of Education				10,109,735
Total Expenditures of Federal Awards				$ 17,551,028

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Instructional Time
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 Balance 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		$ 17,523,175
Differences between Federal Revenues and Expenditures:		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	27,853
Total Schedule of Expenditures of Federal Awards		$ 17,551,028

Other Information

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MORONGO UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure
June 30, 2025

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. There were no boundary changes during the year.

BOARD OF EDUCATION

Member	Office	Term Expires
Christopher Claire	President	2026
Roberta Meyers	Clerk	2026
Pete Wood	Member	2028
Bianca Stoker	Member	2028
Missy Bond	Member	2026

DISTRICT ADMINISTRATORS

Dr. Patricio Vargas,
Superintendent

Sharon Flores,[1]
Assistant Superintendent, Business Services

Amy Woods,
Assistant Superintendent, Secondary Education

Dr. Gracie Gutierrez,
Assistant Superintendent, Elementary Education

Stacy Smalling,
Assistant Superintendent, Human Resources

[1] Subsequent to June 30, 2025, this position was held by David Daniels.

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Other Independent Auditors' Reports

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NIGRO & NIGRO PC
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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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2025.

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

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

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

Elizabeth Nigro, CPA | Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
Jessica Miller, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.



Murrieta, California
December 12, 2025

NIGRO & NIGRO PC
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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

Opinion on Each Major Federal Program
We have audited the Morongo Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Morongo Unified School District's major federal programs for the year ended June 30, 2025. The Morongo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2025.

Basis for Opinion on Each Major Federal Program
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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Morongo Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Morongo Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Morongo Unified School District's federal program.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Morongo Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Morongo Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Morongo Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Morongo Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Morongo Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 12, 2025

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NIGRO & NIGRO PC
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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Morongo Unified School District
Twentynine Palms, California

Report on Compliance

Opinion
We have audited the Morongo Unified School District's (District) compliance with the requirements specified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, Morongo Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Morongo Unified School District's state programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher that for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test 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	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Areas marked as "Not Applicable" were not operated by the District.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify in the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2025-001 and 2025-002. Our opinion on each state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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, the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Vigro + Vigro, PC

Murrieta, California
December 12, 2025

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, 2025

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.582	Child Nutrition Cluster

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

State Awards

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

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:

Five Digit Code	AB 3627 Finding Types
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 2024-25.

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 2024-25.

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

Finding 2025-001: School Safety Plans (40000)

Repeat Finding? No

Criteria: Education Code section 32286 requires schools of an LEA to review, update and adopt their revised comprehensive school safety plans by March 1.

Condition: During our review of a sample of five comprehensive school safety plans, we noted one site, Condor Elementary, had been updated and adopted on March 2, 2025.

Cause: The District lacked oversight procedures to ensure all sites comprehensive school safety plans are revised and adopted by March 1.

Effect: There is no questioned cost associated with this finding.

Recommendation: District should incorporate procedures as it pertains to the comprehensive school safety plans to ensure the plans are reviewed, revised and adopted by March 1.

Views of Responsible Officials: The District will incorporate procedures to ensure that all Comprehensive School Safety Plans are reviewed, revised as needed, and formally adopted by March 1 each year. Moving forward, we will establish a documented approval process and maintain records to demonstrate compliance with this requirement.

Finding 2025-002: Prop. 28 Arts and Music (40000)

Repeat Finding? No

Criteria: Education Code section 8820(g)(2) requires LEAs to certify that Prop. 28 funds received will be used to supplement funding for arts education programs and that funds expended in the prior fiscal year were, in fact, used to supplement arts education programs.

Condition: In reviewing the expenditures for arts and music programs in the current and prior fiscal years, it was determined that Prop. 28 funds were used to supplant existing funds available for arts education programs.

Cause: The District lacked oversight procedures to ensure that the non-Prop. 28 expenditures for arts education programs were maintained in the current year.

Effect: The District will have to return $212,666.15 in unallowable AMS expenditures. This amount was determined by utilizing the Supplement Not Supplant Requirement Worksheet provided by the CDE.

Recommendation: The District should incorporate procedures to ensure Prop. 28 funds are used to supplement the funds utilized in the prior year for arts education programs and not supplant those funds.

Views of Responsible Officials: The District has identified the root cause for Proposition 28 supplement not supplant requirements. In the 2024-25 school year the District struggled to find qualified teachers with VAPA/music credentials and pivoted to non VAPA related electives to enrich student engagement and complete the master schedule. The District continues to search for and hire qualified arts and music positions. The District will engage every opportunity to recruit and retain the desired arts and music teachers with the appropriate credentials.

MORONGO UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2025

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2024-001: Immunizations	Each pupil attending a District school offering TK or Kindergarten must have a California Pre-Kindergarten and School Immunization Record, CDPH Form 286 (January 2019) on file. Pupil are required to have two doses of a varicella vaccine and two doses of a measles vaccine as required by Title 17, California Code of Regulations section 6025 prior to admission, or have a current medical exemption from varicella and measles immunization on file. If the pupil had only one dose of either vaccine prior to admission, the second dose must be received within four calendar months after the first dose. If the pupil had only one dose of either vaccine prior to admission and did not have a second dose within four calendar months, the pupil must be excluded from attendance. During our testing of immunizations, we noted two students that did not receive a second dose after admission or four months succeeding the first day of attendance.	40000	We recommend that the District actively monitor immunization records end verify that attendance claimed is only for students who have received the required vaccines.	Implemented.