

**Morongo Valley  
Community Services District**

**Financial Information: Budget and Audit**

LAFLO C.Y

Morongo Valley C.S.D.  
Final Budget Adopted  
by the Board of Directors  
August 15, 2012

Morongo Valley C.S.D.  
Fire, Parks, Lights, Library  
Fiscal Year 2012-2013

Prior Fiscal Year  
2011-2012

|  | <u>Jul '12 - Jun 13</u> | <u>Jul '11 - Jun 12</u> |
|--|-------------------------|-------------------------|
| <b>Ordinary Income/Expense</b>           |                         |                         |
| <b>Income</b>                            |                         |                         |
| <b>4000 · County Taxes</b>               |                         |                         |
| 4001 · Countywide & Unitary Accrued      | 365,516.00              | 365,916.00              |
| 4006 · Fire Suppression Assessment       | 291,915.00              | 286,177.00              |
| <b>Total 4000 · County Taxes</b>         | <u>657,431.00</u>       | <u>652,093.00</u>       |
| <b>4100 · CSD</b>                        |                         |                         |
| 4101 · Community Donations               | 750.00                  | 0.00                    |
| 4105 · Interest                          | 750.00                  | 500.00                  |
| <b>Total 4100 · CSD</b>                  | <u>1,500.00</u>         | <u>500.00</u>           |
| <b>4200 · FIRE SERVICES</b>              |                         |                         |
| <i>From Gun Club Restricted Funds</i>    | 22,667.00               | 0.00                    |
| 4291 · Donations                         | 400.00                  | 500.00                  |
| <i>From Gun Club Annual Receipt</i>      | 3,333.00                | 0.00                    |
| 4294 · Cost Recovery - Reimbursement     | 1,000.00                | 0.00                    |
| 4296 · Fire Inspections                  | 500.00                  | 4,000.00                |
| <b>Total 4200 · FIRE SERVICES</b>        | <u>27,900.00</u>        | <u>4,500.00</u>         |
| <b>4300 · COVINGTON PARK</b>             |                         |                         |
| 4310 · Rents & Concessions               | 5,200.00                | 4,000.00                |
| <b>Total 4300 · COVINGTON PARK</b>       | <u>5,200.00</u>         | <u>4,000.00</u>         |
| <b>4700 · Grant Income</b>               |                         |                         |
| <i>EDD Funds</i>                         | 5,293.00                | 0.00                    |
| <b>Total 4700 · Grant Income</b>         | <u>5,293.00</u>         | <u>0.00</u>             |
| <b>Total Income</b>                      | <u>697,324.00</u>       | <u>661,093.00</u>       |
| <b>Expense</b>                           |                         |                         |
| <b>5000</b>                              |                         |                         |
| <b>5005 · Wages &amp; Benefits</b>       |                         |                         |
| 5001 · Wage & Benefits                   | 73,970.00               | 74,920.00               |
| 5010 · Extra Help Wages                  | 10,920.00               | 8,500.00                |
| 5015 · Payroll Taxes - Employer          | 6,500.00                | 6,500.00                |
| 5018 · CSD Workers Comp.                 | 2,800.00                | 3,000.00                |
| 5305 · Wages                             | 900.00                  | 1,500.00                |
| 5019 - Employee Benefits                 | 10,335.00               | 6,500.00                |
| <b>Total 5005 · Wages &amp; Benefits</b> | <u>105,425.00</u>       | <u>100,920.00</u>       |
| <b>5006 · Fire Operations</b>            |                         |                         |
| 5203 · Compensation - PM-Engineer        | 117,917.00              | 86,398.00               |
| 5204 · Compensation - Chief              | 46,200.00               | 90,866.00               |

**Morongo Valley C.S.D.  
Final Budget Adopted  
by the Board of Directors  
August 15, 2012**

**Morongo Valley C.S.D.  
Fire, Parks, Lights, Library  
Fiscal Year 2012-2013**

**Prior Fiscal Year  
2011-2012**

|  | <u>Jul '12 - Jun 13</u> | <u>Jul '11 - Jun 12</u> |
|--|-------------------------|-------------------------|
| 5206 · Compensation - Captain/Duty         | 85,810.00               | 91,080.00               |
| 5208 · Compensation - Firefighters         | 23,889.00               | 11,656.00               |
| 5209 · Payroll Taxes                       | 24,129.00               | 21,000.00               |
| 5230 · Subsistence Pay                     | 54,600.00               | 25,000.00               |
| 5219 · Employee Benefits                   | 11,000.00               | 11,000.00               |
| 5215 · Worker's Comp. Ins.                 | 13,000.00               | 12,000.00               |
| 5225 · County Dispatch                     | 6,678.00                | 6,300.00                |
| 5235 · Apparatus Gasoline                  | 13,000.00               | 13,000.00               |
| 5240 · Apparatus Maintenance               | 50,000.00               | 5,000.00                |
| 5241 · Fire Engine Maintenance             | 0.00                    | 45,000.00               |
| 5234 · Apparatus Purchased                 | 0.00                    | 5,015.00                |
| 5260 · Building Maintenance                | 6,800.00                | 5,000.00                |
| 5265 · Paramedic Supply & Equipment        | 16,000.00               | 15,000.00               |
| 5250 · Firefighter Expenses & Training     | 5,000.00                | 5,000.00                |
| 5292 · Firefighter Purchases - Patches     | 300.00                  | 0.00                    |
| 5252 · Fire Prevention Services            | 300.00                  | 0.00                    |
| 5298 · Memberships                         | 500.00                  | 0.00                    |
| 5295 · Office Equipment Purchase/Maint     | 500.00                  | 0.00                    |
| 5245 · Other Expense                       | 700.00                  | 0.00                    |
| 5297 · Supplies                            | 6,000.00                | 10,000.00               |
| 5290 · Special Assessment                  | 3,000.00                | 3,000.00                |
| <b>Total 5006 · Fire Operations</b>        | <b>485,323.00</b>       | <b>461,315.00</b>       |
| <br>                                       |                         |                         |
| <b>5071 · Repair and Maintenance</b>       |                         |                         |
| 5320 · CP Equipment                        | 3,800.00                | 500.00                  |
| 5365 · CP Buildings                        | 4,624.00                | 5,000.00                |
| 5370 · CP Grounds                          | 3,500.00                | 7,000.00                |
| 5371 · Ball Park                           | 0.00                    | 0.00                    |
| 5375 · Gasoline                            | 1,000.00                | 900.00                  |
| 5374 · Vehicle                             | 0.00                    | 500.00                  |
| 5377 · Mojave Property                     | 0.00                    | 0.00                    |
| <b>Total 5071 · Repair and Maintenance</b> | <b>12,924.00</b>        | <b>13,900.00</b>        |
| <br>                                       |                         |                         |
| 5070 · Insurance-General                   | 13,000.00               | 12,000.00               |
| <b>5080 · Office Expense</b>               |                         |                         |
| 5082 · Bank Charges                        | 700.00                  | 500.00                  |
| 5074 · Internet Service                    | 600.00                  | 600.00                  |
| 5076 · Memberships                         | 1,772.00                | 1,500.00                |
| 5078 · Meeting Expense                     | 280.00                  | 150.00                  |
| 5099 · Other Expenses - Legal and Admin    | 12,000.00               | 11,494.00               |
| 5068 · Printing/Copies                     | 2,600.00                | 3,000.00                |
| 5083 · Supplies                            | 1,200.00                | 500.00                  |

**Morongo Valley C.S.D.**  
**Final Budget Adopted**  
**by the Board of Directors**  
**August 15, 2012**

**Morongo Valley C.S.D.**  
**Fire, Parks, Lights, Library**  
**Fiscal Year 2012-2013**

**Prior Fiscal Year**  
**2011-2012**

|                                      | <u>Jul '12 - Jun 13</u> | <u>Jul '11 - Jun 12</u> |
|--------------------------------------|-------------------------|-------------------------|
| Total 5080 · Office Expense          | 19,152.00               | 17,744.00               |
| 5085 · Auditing/Accounting           | 14,600.00               | 13,600.00               |
| 5090 · Children's Library            | 8,400.00                | 2,500.00                |
| 5096 · Street Lights                 | 4,200.00                | 4,000.00                |
| 5100 · Utilities                     |                         |                         |
| 5052 · 5252 Water                    | 3,600.00                | 5,000.00                |
| 5053 · 5053 Electricity              | 9,600.00                | 10,900.00               |
| 5054 · 5054 Gas                      | 2,100.00                | 3,000.00                |
| 5060 · 5060 Telephone                | 4,000.00                | 3,900.00                |
| 5354 · 5354 Ball Park Electricity    | 0.00                    | 0.00                    |
| Total 5100 · Utilities               | <u>19,300.00</u>        | <u>22,800.00</u>        |
| 5200 · Debt Service                  |                         |                         |
| 5220 · Lease/Apparatus Replace. Fund | 15,000.00               | 12,314.00               |
| Total 5200 · Debt Service            | <u>15,000.00</u>        | <u>12,314.00</u>        |
| Total 5000                           | <u>697,324.00</u>       | <u>661,093.00</u>       |
| Total Expense                        | <u>697,324.00</u>       | <u>661,093.00</u>       |
| Net Ordinary Income                  | <u>0.00</u>             | <u>0.00</u>             |
| Net Income                           | <u><u>0.00</u></u>      | <u><u>0.00</u></u>      |

# MORONGO VALLEY COMMUNITY SERVICES DISTRICT



## FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2011



SMITH MARION & CO.  
CERTIFIED PUBLIC ACCOUNTANTS

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT  
FINANCIAL STATEMENTS AND AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2011**

---

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>INDEPENDENT AUDITORS' REPORT</b>   | 1           |
| <b>BASIC FINANCIAL STATEMENTS</b>   |             |
| <b>Government-wide Financial Statements:</b>  |             |
| Statement of Net Assets   | 2           |
| Statement of Activities   | 3           |
| <b>Fund Financial Statements:</b>   |             |
| Balance Sheet – Governmental Funds  | 4           |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balance – Governmental Funds  | 5           |
| Reconciliation of Statement of Revenues, Expenditures, and Changes<br>In Fund Balances of Governmental Funds to the Statement of Activities | 6           |
| Notes to Financial Statements   | 7-13        |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>   |             |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balance – Budget and Actual – General Fund                                      | 14          |
| <b>SUPPLEMENTARY INFORMATION</b>  |             |
| Combining Statement of Revenues, Expenditures, and Changes<br>In Fund Balance – Governmental Funds  | 15          |
| <b>NOTES TO REQUIRED SUPPLEMENTARY AND SUPPLEMENTARY<br/>INFORMATION</b>  | 16          |



SMITH MARION & CO., LLP

Please respond to:  
Grand Terrace Office  
22365 Barton Road, Suite 108  
Grand Terrace, CA 92313  
Telephone (909) 825-6600

Board of Directors  
Morongo Valley Community Services District  
Morongo Valley, CA

#### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities of the Morongo Valley Community Services District as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of the Morongo Valley Community Services District as of June 30, 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of the Morongo Valley Community Services District has elected to omit the Management Discussion and Analysis information. The budgetary comparison information is presented on page 14. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Morongo Valley Community Services District's basic financial statements. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 21, 2011

[www.smcepa.com](http://www.smcepa.com)

Murrieta Office  
38605 Calistoga Drive, Suite 120  
Murrieta, CA 92563  
Telephone (951) 461-2045

Lebanon Office  
303 Antietam Court  
Lebanon, TN 37087  
Telephone (615) 453-7855

**BASIC FINANCIAL STATEMENTS**

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

|   | Primary Government         |                             |                     |
|---|----------------------------|-----------------------------|---------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total               |
| <b>ASSETS</b>                                     |                            |                             |                     |
| Cash  | \$ 467,947                 | \$ -                        | \$ 467,947          |
| Cash - restricted                                 | 12,490                     | -                           | 12,490              |
| Accounts receivable                               | 16,180                     | -                           | 16,180              |
| Prepaid insurance                                 | 16,270                     | -                           | 16,270              |
| Notes receivable                                  | 50,000                     | -                           | 50,000              |
| Capital assets (Net)                              | 560,352                    | -                           | 560,352             |
| <b>TOTAL ASSETS</b>                               | <b>1,123,239</b>           | <b>-</b>                    | <b>1,123,239</b>    |
| <b>LIABILITIES</b>                                |                            |                             |                     |
| Accounts Payable                                  | 7,953                      | -                           | 7,953               |
| Deferred revenue                                  | 12,490                     | -                           | 12,490              |
| Noncurrent liabilities:                           |                            |                             |                     |
| Due within one year                               | 11,862                     | -                           | 11,862              |
| Due in more than one year                         | -                          | -                           | -                   |
| <b>TOTAL LIABILITIES</b>                          | <b>32,305</b>              | <b>-</b>                    | <b>32,305</b>       |
| <b>NET ASSETS</b>                                 |                            |                             |                     |
| Investment in capital assets, net of related debt | 548,490                    | -                           | 548,490             |
| Restricted  | 12,490                     | -                           | 12,490              |
| Unrestricted                                      | 529,954                    | -                           | 529,954             |
| <b>TOTAL NET ASSETS</b>                           | <b>\$ 1,090,934</b>        | <b>\$ -</b>                 | <b>\$ 1,090,934</b> |

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

| Functions/Programs                    | Expenses          | Program Revenues     |                                    |                                  | Net (Expense)                         |
|---------------------------------------|-------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------|
|                                       |                   | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets     |
| Primary Government                    |                   |                      |                                    |                                  | Primary Gov't Governmental Activities |
| <b>Governmental Activities:</b>       |                   |                      |                                    |                                  |                                       |
| General government                    | \$ 83,386         | \$ -                 | \$ -                               | \$ -                             | \$ (83,386)                           |
| Fire operations                       | 554,083           | 5,392                | -                                  | -                                | (548,691)                             |
| Parks and recreation                  | 78,159            | 4,992                | -                                  | 186,044                          | 112,877                               |
| Street lights                         | 4,116             | -                    | -                                  | -                                | (4,116)                               |
| Interest on long-term debt            | 1,734             | -                    | -                                  | -                                | (1,734)                               |
| <b>Total Governmental Activities</b>  | <b>721,478</b>    | <b>10,384</b>        | <b>-</b>                           | <b>186,044</b>                   | <b>(525,050)</b>                      |
| <b>Business-type activities:</b>      | <b>-</b>          | <b>-</b>             | <b>-</b>                           | <b>-</b>                         | <b>-</b>                              |
| <b>Total Business-Type Activities</b> | <b>-</b>          | <b>-</b>             | <b>-</b>                           | <b>-</b>                         | <b>-</b>                              |
| <b>Total Primary Government</b>       | <b>\$ 721,478</b> | <b>\$ 10,384</b>     | <b>\$ -</b>                        | <b>\$ 186,044</b>                | <b>(525,050)</b>                      |

**General revenues:**

|  |                     |
|--|---------------------|
| Property taxes   | 383,400             |
| Assessment   | 280,605             |
| Grants, contributions and other income not restricted to specific programs | 2,432               |
| Unrestricted interest income   | 631                 |
| <b>Total General Revenues</b>  | <b>667,068</b>      |
| Change in Net Assets   | 142,018             |
| Net Assets - beginning   | 948,916             |
| Net Assets - ending  | <b>\$ 1,090,934</b> |

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

|  | General<br>Fund   | Total<br>Governmental<br>Funds |
|--|-------------------|--------------------------------|
| <b>ASSETS</b>                                      |                   |                                |
| Cash   | \$ 467,947        | \$ 467,947                     |
| Cash - restricted                                  | 12,490            | 12,490                         |
| Accounts receivable                                | 16,180            | 16,180                         |
| Prepaid insurance                                  | 16,270            | 16,270                         |
| Notes Receivable                                   | 50,000            | 50,000                         |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>               | <b>\$ 562,887</b> | <b>\$ 562,887</b>              |
| <b>LIABILITIES, EQUITY AND OTHER CREDITS</b>       |                   |                                |
| <b>LIABILITIES</b>                                 |                   |                                |
| Accounts Payable                                   | \$ 7,953          | \$ 7,953                       |
| Deferred revenue                                   | 12,490            | 12,490                         |
| <b>TOTAL LIABILITIES</b>                           | <b>20,443</b>     | <b>20,443</b>                  |
| <b>EQUITY AND OTHER CREDITS</b>                    |                   |                                |
| Fund Balances                                      |                   |                                |
| Nonspendable                                       |                   |                                |
| Prepaid expenses                                   | 16,270            | 16,270                         |
| Notes Receivable                                   | 50,000            | 50,000                         |
| Restricted for:                                    |                   |                                |
| General Government                                 | 12,490            | 12,490                         |
| Unassigned   | 463,684           | 463,684                        |
| <b>TOTAL EQUITY AND OTHER CREDITS</b>              | <b>542,444</b>    | <b>542,444</b>                 |
| <b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b> | <b>\$ 562,887</b> |                                |

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

|   |                     |
|---|---------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds                  | 560,352             |
| Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds | (11,862)            |
| <b>Net Assets of governmental activities</b>  | <b>\$ 1,090,934</b> |

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

|   | General<br>Fund   |
|---|-------------------|
| <b>REVENUES</b>                                     |                   |
| Tax assessments                                     | \$ 383,400        |
| Fire assesment                                      | 280,605           |
| Grant income  | 186,044           |
| Interest  | 631               |
| Fire service  | 4,992             |
| Park revenue  | 4,992             |
| Other revenue                                       | 2,832             |
| <b>TOTAL REVENUES</b>                               | <u>863,496</u>    |
| <b>EXPENDITURES</b>                                 |                   |
| General government                                  | 86,016            |
| Fire operations                                     | 504,787           |
| Parks and recreation                                | 247,417           |
| Street lights                                       | 4,116             |
| Debt service  | 24,627            |
| <b>TOTAL EXPENDITURES</b>                           | <u>866,963</u>    |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | (3,467)           |
| <b>OTHER FINANCING SOURCES AND (USES)</b>           |                   |
| Transfers in from other funds                       | -                 |
| Transfers out to other funds                        | -                 |
| <b>Net Other Financing Sources and (Uses)</b>       | <u>-</u>          |
| <b>Net change in fund balances</b>                  | (3,467)           |
| FUND BALANCE - BEGINNING OF YEAR                    | <u>545,911</u>    |
| <b>FUND BALANCE - END OF YEAR</b>                   | <u>\$ 542,444</u> |

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

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

|   |                   |
|---|-------------------|
| Net change in fund balances-total governmental funds  | \$ (3,467)        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the amount by which capital outlays exceeded depreciation expense | 122,592           |
| The reduction of long-term debt is recorded as an expense in the governmental funds but is recorded as a reduction of long-term debt on the statement of net assets   | <u>22,893</u>     |
| Change in net assets of governmental activities   | <u>\$ 142,018</u> |

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
MORONGO VALLEY, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

---

**1. NATURE OF ORGANIZATION**

Morongo Valley Community Services District, Morongo Valley, CA was incorporated August 4, 1958 under statutory authority as set forth in California Government Code Sec. 61000 et seq. The District is responsible for fire protection, parks and recreation, and street lighting.

**BOARD OF DIRECTORS**

|                                  |                           |
|----------------------------------|---------------------------|
| President                        | -Chuck Osborne            |
| Vice President                   | -Richard Brewer           |
| Fire Commissioner                | -Glen Shepherd            |
| Director of Legislative/Projects | -Michael J. Francis       |
| Parks Commissioner               | -William "Hap" Trowbridge |

**ADMINISTRATION**

General Manager - Meg Foley

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Morongo Valley Community Services District (the District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no component units and is not a component unit of another primary government.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Measurement focus, basis of accounting, and financial statement presentation**

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

Governmental fund financial statements are reported as the current *financial resources measurement focus* and the *modified accrual basis of accounting*. 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 of the current period. For this purpose, the government 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The general fund is the government's primary operation fund. It accounts for all financial resources of the general government, except those required to be accounted in another fund.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operation grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**Revenue**

Revenue consists primarily of property tax assessments.

**Federal and State Grant Revenue**

Grant revenue is recognized when the program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

**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 expenses during the reporting period. Actual results could differ from those estimates.

**Investments**

Under provision of the District’s Investment Policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposits
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool Deposits)
- Passbook Savings Account Demand Deposits
- Repurchase Agreements
- Reverse Repurchase Agreements

**Capital Assets**

Capital assets includes property, equipment, and infrastructure assets (e.g. vehicles, equipment, office equipment and furniture), which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>      | <u>Years</u> |
|--------------------|--------------|
| Vehicles           | 10           |
| Office equipment   | 5            |
| Computer equipment | 5            |

**Long-Term Obligations**

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. There are no bond premiums or discount associated with these obligations.

**3. CASH AND INVESTMENTS**

Cash and cash equivalents consist of the following:

|   | <u>Fair Value</u> |
|---|-------------------|
| Cash in bank  | \$ 467,947        |
| Cash - restricted   | 12,490            |
| Total Cash and Cash Equivalents on deposit with<br>Financial Institutions | <u>\$ 480,437</u> |

**Investments Authorized by the California Government Code and the District’s Investment Policy**

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration credit risk. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

NOTES TO FINANCIAL STATEMENTS (Continued)

| Authorized<br>Investment Type       | Maximum<br>Maturity | Maximum<br>Percentage<br>of * Portfolio | Maximum<br>Investment<br>in One Issuer |
|-------------------------------------|---------------------|---|--|
| Local Agency Bonds                  | 5 years             | None                                    | None                                   |
| U.S. Treasury Obligations           | 5 years             | None                                    | None                                   |
| U.S. Agency Securities              | 5 years             | None                                    | None                                   |
| Banker's Acceptances                | 180 days            | 40%                                     | 30%                                    |
| Commercial Paper                    | 270 days            | 25%                                     | 10%                                    |
| Negotiable Certificates of Deposit  | 5 years             | 30%                                     | None                                   |
| Repurchase Agreements               | 1 year              | None                                    | None                                   |
| Reverse Repurchase Agreements       | 92 days             | 20% of base value                       | None                                   |
| Medium-Term Notes                   | 5 years             | 30%                                     | None                                   |
| Mutual Funds                        | N/A                 | 20%                                     | 10%                                    |
| Money Market Mutual Funds           | N/A                 | 20%                                     | 10%                                    |
| Mortgage Pass-Through Securities    | 5 years             | 20%                                     | None                                   |
| County Pooled Investment Funds      | N/A                 | None                                    | None                                   |
| Local Agency Investment Fund (LAIF) | N/A                 | None                                    | None                                   |
| JPA Pools (other investment pools)  | N/A                 | None                                    | None                                   |

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

**Disclosure Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates.

**Disclosure Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total District investments.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government code and the District's investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit.

NOTES TO FINANCIAL STATEMENTS (Continued)

At year end the District's cash balance covered by federal depository insurance was made up of the following:

| <u>Account</u>   | <u>Insured</u>    | <u>Total</u>      |
|------------------|-------------------|-------------------|
| General fund     | \$ 3,689          | \$ 3,689          |
| Savings          | 413,608           | 413,608           |
| Restricted funds | 12,490            | 12,490            |
| Petty cash       | 650               | 650               |
| CD               | 50,000            | 50,000            |
| <b>Total</b>     | <b>\$ 480,437</b> | <b>\$ 480,437</b> |

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a mutual funds or government investment pool.

4. CAPITAL ASSETS

The following is a summary of changes in the capital fixed assets during the fiscal year:

|  | Beginning<br>Balance | Increases  | Decrease | Ending<br>Balance |
|--|----------------------|------------|----------|-------------------|
| <b>Governmental Activities</b>               |                      |            |          |                   |
| <b>Assets:</b>                               |                      |            |          |                   |
| <i>Capital assets not being depreciated:</i> |                      |            |          |                   |
| Land   | \$ 203,330           | \$ -       | \$ -     | \$ 203,330        |
| <i>Capital assets being depreciated:</i>     |                      |            |          |                   |
| Buildings and improvements                   | 424,595              | 163,717    | -        | 588,312           |
| Furniture and equipment                      | 409,811              | 48,390     | (28,193) | 430,008           |
| Fire equipment                               | 552,271              | -          | -        | 552,271           |
| Total Capital Assets being depreciated       | 1,386,677            | 212,107    | (28,193) | 1,570,591         |
| <b>Accumulated Depreciation:</b>             |                      |            |          |                   |
| Buildings and improvements                   | (332,499)            | (16,181)   | -        | (348,680)         |
| Furniture and equipment                      | (356,574)            | (53,318)   | 28,193   | (381,699)         |
| Fire equipment                               | (463,174)            | (20,016)   | -        | (483,190)         |
| Total Accumulated Depreciation               | (1,152,247)          | (89,515)   | 28,193   | (1,213,569)       |
| <i>Net capital assets being depreciated</i>  | 234,430              | 122,592    | -        | 357,022           |
| <b>Net Governmental Activities</b>           |                      |            |          |                   |
| Capital Assets                               | \$ 437,760           | \$ 122,592 | \$ -     | \$ 560,352        |

5. PROPERTY TAX CALENDAR

The District's assessments are included on county property tax bills. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

|                 |                   |                      |
|-----------------|-------------------|----------------------|
| Lien date       | March 1           |                      |
| Levy date       | July 1 to June 30 |                      |
| Due date        | November 1        | - First installment  |
|                 | March 1           | - Second installment |
| Delinquent date | December 10       | - First installment  |
|                 | April 10          | - Second installment |

NOTES TO FINANCIAL STATEMENTS (Continued)

**6. INTERFUND RECEIVABLES/PAYABLES**

The following is a summary of interfund receivables and payables at June 30, 2011.

| FUND            | Due From<br>Other Funds | Due to<br>Other Funds |
|-----------------|-------------------------|-----------------------|
| General         | \$ -                    | \$ -                  |
| Special Revenue | -                       | -                     |
|                 | <u>\$ -</u>             | <u>\$ -</u>           |

**7. CREDIT LINE PAYABLE**

The District has entered into a line of credit agreement with a bank. Under this agreement the District can borrow working capital advances up to \$200,000. The agreement requires interest only payments. As of year end the interest rate was 9.25%. The balance as of year-end on the credit line was \$-0-.

**8. LONG TERM DEBT**

The following represents the long term debt of the District:

|  |                  |
|--|------------------|
| Engine 461: the District obtained a loan in the amount of \$183,619 on 8/13/01 to purchase Engine 461. The loan is 5.8% and requires a semi-annual payment of \$12,213 | \$ 11,862        |
| Total  | <u>\$ 11,862</u> |

A summary of changes in long-term debt is as follows:

|                 | Beginning<br>Balance | Additions   | Reduction          | Ending<br>Balance | Due Within<br>One Year |
|-----------------|----------------------|-------------|--------------------|-------------------|------------------------|
| Engine 461 Loan | \$ 34,755            |             | \$ (22,893)        | \$ 11,862         | \$ 11,862              |
| Total           | <u>\$ 34,755</u>     | <u>\$ -</u> | <u>\$ (22,893)</u> | <u>\$ 11,862</u>  | <u>\$ 11,862</u>       |

Annual debt service requirements to maturity are as follows:

|                              | Principal        | Interest      | Total            |
|------------------------------|------------------|---------------|------------------|
| For the year ending June 30: |                  |               |                  |
| 2012                         | \$ 11,862        | \$ 451        | \$ 12,313        |
| Total                        | <u>\$ 11,862</u> | <u>\$ 451</u> | <u>\$ 12,313</u> |

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors & omissions on natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**10. SUBSEQUENT EVENTS**

Accounting standards require that the District assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The District evaluated all potential subsequent events as of October 21, 2011 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after the balance sheet date or as of October 21, 2011 that require disclosure in the financial statements.

**11. RESTRICTED CASH**

The District held restricted cash on hand at year end. The restricted cash includes amounts received for various programs the organization has including: the tennis program, library improvements, MAPS program, and the senior nutrition program. There is also an amount included for future improvements made to the Mojave property owned by the District.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30 2011**

|   | General Fund      |                   |                   | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|-------------------|--|
|   | Budgeted amounts  |                   | Actual<br>Amounts |  |
|   | Original          | Final             |                   |  |
| <b>REVENUES</b>   |                   |                   |                   |  |
| Tax revenue   | \$ 408,992        | \$ 408,992        | \$ 383,400        | \$ (25,592)  |
| Fire assesment  | 272,517           | 272,517           | 280,605           | 8,088  |
| Grant Income  | -                 | -                 | 186,044           | 186,044  |
| Interest  | 1,000             | 1,000             | 631               | (369)  |
| Fire Services   | 6,500             | 6,500             | 4,992             | (1,508)  |
| Park concessions  | 2,500             | 2,500             | 4,992             | 2,492  |
| Other Revenue   | 4,000             | 4,000             | 2,832             | (1,168)  |
| <b>TOTAL REVENUES</b>                                   | <b>695,509</b>    | <b>695,509</b>    | <b>863,496</b>    | <b>167,987</b>   |
| <b>EXPENDITURES</b>                                     |                   |                   |                   |  |
| <b>General Government</b>                               |                   |                   |                   |  |
| Wages and benefits                                      | 61,270            | 61,270            | 56,613            | 4,657  |
| Operations expense                                      | 55,191            | 55,191            | 29,403            | 25,788   |
| <b>Total General Government</b>                         | <b>116,461</b>    | <b>116,461</b>    | <b>86,016</b>     | <b>30,445</b>  |
| <b>Fire Operations</b>                                  |                   |                   |                   |  |
| Wages and benefits                                      | 320,900           | 320,900           | 345,366           | (24,466)   |
| Operations expense                                      | 171,400           | 171,400           | 159,421           | 11,979   |
| <b>Total Fire Operations</b>                            | <b>492,300</b>    | <b>492,300</b>    | <b>504,787</b>    | <b>(12,487)</b>  |
| <b>Parks and Recreation</b>                             |                   |                   |                   |  |
| Wages and benefits                                      | 28,000            | 28,000            | 41,862            | (13,862)   |
| Operations expense                                      | 27,000            | 27,000            | 205,555           | (178,555)  |
| <b>Total Parks and Recreation</b>                       | <b>55,000</b>     | <b>55,000</b>     | <b>247,417</b>    | <b>(192,417)</b>   |
| <b>Street Lights</b>                                    |                   |                   |                   |  |
| Repairs and maintenance                                 | 4,000             | 4,000             | 4,116             | (116)  |
| <b>Total Street Lights</b>                              | <b>4,000</b>      | <b>4,000</b>      | <b>4,116</b>      | <b>(116)</b>   |
| <b>Debt Service</b>                                     |                   |                   |                   |  |
| Principal expense                                       | 21,967            | 21,967            | 22,893            | (926)  |
| Interest expense  | 3,033             | 3,033             | 1,734             | 1,299  |
| <b>Total Debt Service</b>                               | <b>25,000</b>     | <b>25,000</b>     | <b>24,627</b>     | <b>373</b>   |
| <b>TOTAL EXPENDITURES</b>                               | <b>692,761</b>    | <b>692,761</b>    | <b>866,963</b>    | <b>(174,202)</b>   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>2,748</b>      | <b>2,748</b>      | <b>(3,467)</b>    | <b>(6,215)</b>   |
| <b>OTHER FINANCING SOURCES AND (USES)</b>               |                   |                   |                   |  |
| Transfers to/from other funds                           | -                 | -                 | -                 | -  |
| <b>Net Other Financing Sources and (Uses)</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>   |
| <b>Net Change in Fund Balances</b>                      | <b>2,748</b>      | <b>2,748</b>      | <b>(3,467)</b>    | <b>(6,215)</b>   |
| FUND BALANCE - BEGINNING                                | 545,911           | 545,911           | 545,911           | -  |
| <b>FUND BALANCE - END OF YEAR</b>                       | <b>\$ 548,659</b> | <b>\$ 548,659</b> | <b>\$ 542,444</b> | <b>\$ (6,215)</b>  |

**SUPPLEMENTARY INFORMATION**

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

|   | General Fund          |                    |                        |                  | Total<br>Governmental<br>Funds |
|---|-----------------------|--------------------|------------------------|------------------|--------------------------------|
|   | General<br>Government | Fire<br>Operations | Park and<br>Recreation | Street<br>Lights |                                |
| <b>REVENUES</b>                                     |                       |                    |                        |                  |                                |
| Tax revenue   | \$ 81,918             | \$ 243,817         | \$ 53,549              | \$ 4,116         | \$ 383,400                     |
| Fire assesment                                      | -                     | 280,605            | -                      | -                | 280,605                        |
| Interest  | 631                   | -                  | -                      | -                | 631                            |
| Fire Service  | -                     | 4,992              | -                      | -                | 4,992                          |
| Park Revenue  | -                     | -                  | 4,992                  | -                | 4,992                          |
| Other Revenue                                       | -                     | -                  | 188,876                | -                | 188,876                        |
| <b>TOTAL REVENUES</b>                               | <b>82,549</b>         | <b>529,414</b>     | <b>247,417</b>         | <b>4,116</b>     | <b>863,496</b>                 |
| <b>EXPENDITURES</b>                                 |                       |                    |                        |                  |                                |
| Salaries and wages                                  | 46,538                | 299,255            | 34,349                 | -                | 380,142                        |
| Employee benefits                                   | 10,075                | 46,111             | 7,513                  | -                | 63,699                         |
| Operations expense                                  | 29,403                | 159,421            | 205,555                | 4,116            | 398,495                        |
| Grant expenses                                      | -                     | -                  | -                      | -                | -                              |
| Debt service  | -                     | 24,627             | -                      | -                | 24,627                         |
| <b>TOTAL EXPENDITURES</b>                           | <b>86,016</b>         | <b>529,414</b>     | <b>247,417</b>         | <b>4,116</b>     | <b>866,963</b>                 |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>(3,467)</b>        | <b>-</b>           | <b>-</b>               | <b>-</b>         | <b>(3,467)</b>                 |
| <b>OTHER FINANCING SOURCES AND (USES)</b>           |                       |                    |                        |                  |                                |
| Transfers in from other funds                       | -                     | -                  | -                      | -                | -                              |
| Transfers out to other funds                        | -                     | -                  | -                      | -                | -                              |
| <b>Net Other Financing Sources and (Uses)</b>       | <b>-</b>              | <b>-</b>           | <b>-</b>               | <b>-</b>         | <b>-</b>                       |
| <b>Net change in fund balances</b>                  | <b>(3,467)</b>        | <b>-</b>           | <b>-</b>               | <b>-</b>         | <b>(3,467)</b>                 |
| FUND BALANCE - BEGINNING OF YEAR                    | 545,911               | -                  | -                      | -                | 545,911                        |
| <b>FUND BALANCE - END OF YEAR</b>                   | <b>\$ 542,444</b>     | <b>\$ -</b>        | <b>\$ -</b>            | <b>\$ -</b>      | <b>\$ 542,444</b>              |

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

**A. REQUIRED SUPPLEMENTARY INFORMATION**

Budgets are developed consistent with generally accepted accounting principles. All annual appropriations lapse at year end.

Budget information is presented by key government operations of the District. Encumbrances exceeded appropriations in various line items of the budget but in total did not exceed the budget.

**B. SUPPLEMENTARY INFORMATION**

The combining statement of revenues and expenditures reflects the revenues and expenditures of the District by key government activity in accordance with the governmental fund presentation.

# MORONGO VALLEY COMMUNITY SERVICES DISTRICT



## FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2012

**DRAFT**



SMITH MARION & CO.  
CERTIFIED PUBLIC ACCOUNTANTS

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT  
FINANCIAL STATEMENTS AND AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2012**

---

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>INDEPENDENT AUDITORS' REPORT</b>   | 1           |
| <b>BASIC FINANCIAL STATEMENTS</b>   |             |
| <b>Government-wide Financial Statements:</b>  |             |
| Statement of Net Assets   | 2           |
| Statement of Activities   | 3           |
| <b>Fund Financial Statements:</b>   |             |
| Balance Sheet – Governmental Funds  | 4           |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balance – Governmental Funds  | 5           |
| Reconciliation of Statement of Revenues, Expenditures, and Changes<br>In Fund Balances of Governmental Funds to the Statement of Activities | 6           |
| Notes to Financial Statements   | 7-13        |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>   |             |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balance – Budget and Actual – General Fund                                      | 14          |
| <b>SUPPLEMENTARY INFORMATION</b>  |             |
| Combining Statement of Revenues, Expenditures, and Changes<br>In Fund Balance – Governmental Funds  | 15          |
| Calculation of Appropriation Spending Limit (Prop. 4 “Gann Limit”)  | 16          |
| <b>NOTES TO REQUIRED SUPPLEMENTARY AND SUPPLEMENTARY<br/>INFORMATION</b>  | 17          |



**SMITH MARION & CO., LLP**

Please respond to:  
**Grand Terrace Office**  
22365 Barton Road, Suite 108  
Grand Terrace, CA 92313  
Telephone (909) 825-6600

**Board of Directors**  
**Morongo Valley Community Services District**  
Morongo Valley, CA

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities of the Morongo Valley Community Services District as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of the Morongo Valley Community Services District as of June 30, 2012, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of the Morongo Valley Community Services District has elected to omit the Management Discussion and Analysis information. The budgetary comparison information is presented on page 14. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Morongo Valley Community Services District's basic financial statements. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 30, 2012

[www.smcoepa.com](http://www.smcoepa.com)

**Murrieta Office**  
38605 Calistoga Drive, Suite 120  
Murrieta, CA 92563  
Telephone (951) 461-2045

**Brentwood Office**  
5111 Maryland Way, Suite 210  
Brentwood, TN 37027  
Telephone (615) 309-8959

**DRAFT**

**BASIC FINANCIAL STATEMENTS**

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

|   | Primary Government      |                          | Total               |
|---|-------------------------|--------------------------|---------------------|
|   | Governmental Activities | Business-Type Activities |                     |
| <b>ASSETS</b>                                     |                         |                          |                     |
| Cash  | \$ 477,098              | \$ -                     | \$ 477,098          |
| Cash - restricted                                 | 15,142                  | -                        | 15,142              |
| Accounts receivable                               | 22,275                  | -                        | 22,275              |
| Prepaid insurance                                 | 18,066                  | -                        | 18,066              |
| Notes receivable                                  | 47,836                  | -                        | 47,836              |
| Capital assets (Net)                              | 526,274                 | -                        | 526,274             |
| <b>TOTAL ASSETS</b>                               | <b>1,106,691</b>        | <b>-</b>                 | <b>1,106,691</b>    |
| <b>LIABILITIES</b>                                |                         |                          |                     |
| Accounts Payable                                  | 6,598                   | -                        | 6,598               |
| Deferred revenue                                  | 8,472                   | -                        | 8,472               |
| <b>TOTAL LIABILITIES</b>                          | <b>15,070</b>           | <b>-</b>                 | <b>15,070</b>       |
| <b>NET ASSETS</b>                                 |                         |                          |                     |
| Investment in capital assets, net of related debt | 526,274                 | -                        | 526,274             |
| Restricted  | 15,142                  | -                        | 15,142              |
| Unrestricted                                      | 550,205                 | -                        | 550,205             |
| <b>TOTAL NET ASSETS</b>                           | <b>\$ 1,091,621</b>     | <b>\$ -</b>              | <b>\$ 1,091,621</b> |

DRAFT

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

| Functions/Programs   | Expenses          | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets Primary Gov't Governmental Activities |
|--|-------------------|----------------------|------------------------------------|----------------------------------|---|
|  |                   | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |   |
| <b>Primary Government Governmental Activities:</b>                         |                   |                      |                                    |                                  |   |
| Fire operations  | \$ 620,989        | \$ 1,542             | \$ -                               | \$ 31,880                        | \$ (587,567)  |
| Parks and recreation   | 86,200            | 3,332                | -                                  | 91                               | (82,777)  |
| Street lights  | 4,074             | -                    | -                                  | -                                | (4,074)   |
| Interest on long-term debt   | 451               | -                    | -                                  | -                                | (451)   |
| <b>Total Governmental Activities</b>                                       | <b>711,714</b>    | <b>4,874</b>         | <b>-</b>                           | <b>31,971</b>                    | <b>(674,869)</b>  |
| <b>Business-type activities:</b>   |                   |                      |                                    |                                  |   |
| <b>Total Business-Type Activities</b>                                      | <b>-</b>          | <b>-</b>             | <b>-</b>                           | <b>-</b>                         | <b>-</b>  |
| <b>Total Primary Government</b>  | <b>\$ 711,714</b> | <b>\$ 4,874</b>      | <b>\$ -</b>                        | <b>\$ 31,971</b>                 | <b>(674,869)</b>  |
| <b>General revenues</b>  |                   |                      |                                    |                                  |   |
| Property taxes   |                   |                      |                                    |                                  | 366,739   |
| Assessment   |                   |                      |                                    |                                  | 286,528   |
| Grants, contributions and other income not restricted to specific programs |                   |                      |                                    |                                  | 17,416  |
| Unrestricted interest income   |                   |                      |                                    |                                  | 4,873   |
| <b>Total General Revenue</b>   |                   |                      |                                    |                                  | <b>675,556</b>  |
| Change in Net Assets   |                   |                      |                                    |                                  | 687   |
| Net Assets - beginning   |                   |                      |                                    |                                  | 1,090,934   |
| Net Assets - ending  |                   |                      |                                    |                                  | <b>\$ 1,091,621</b>   |

DRAFT

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

|  | General<br>Fund   | Total<br>Governmental<br>Funds |
|--|-------------------|--------------------------------|
| <b>ASSETS</b>                                      |                   |                                |
| Cash   | \$ 477,098        | \$ 477,098                     |
| Cash - restricted                                  | 15,142            | 15,142                         |
| Accounts receivable                                | 22,275            | 22,275                         |
| Prepaid insurance                                  | 18,066            | 18,066                         |
| Notes Receivable                                   | 47,836            | 47,836                         |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>               | <b>\$ 580,417</b> | <b>\$ 580,417</b>              |
| <b>LIABILITIES, EQUITY AND OTHER CREDITS</b>       |                   |                                |
| <b>LIABILITIES</b>                                 |                   |                                |
| Accounts Payable                                   | \$ 6,598          | \$ 6,598                       |
| Deferred revenue                                   | 8,472             | 8,472                          |
| <b>TOTAL LIABILITIES</b>                           | <b>15,070</b>     | <b>15,070</b>                  |
| <b>EQUITY AND OTHER CREDITS</b>                    |                   |                                |
| Fund Balances                                      |                   |                                |
| Nonspendable                                       |                   |                                |
| Prepaid expenses                                   | 18,066            | 18,066                         |
| Notes Receivable                                   | 47,836            | 47,836                         |
| Restricted for:                                    |                   |                                |
| General Government                                 | 15,142            | 15,142                         |
| Unassigned   | 484,303           | 484,303                        |
| <b>TOTAL EQUITY AND OTHER CREDITS</b>              | <b>565,347</b>    | <b>565,347</b>                 |
| <b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b> | <b>\$ 580,417</b> |                                |

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

526,274

Net Assets of governmental activities

\$ 1,091,621

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|   | <u>General<br/>Fund</u> |
|---|-------------------------|
| <b>REVENUES</b>                                     |                         |
| Tax assessments                                     | \$ 361,994              |
| Fire assesment                                      | 286,528                 |
| Tax revenue - homeowners property tax relief        | 4,745                   |
| Grant income  | 31,971                  |
| Interest  | 4,873                   |
| Fire service  | 1,542                   |
| Park concessions                                    | 3,332                   |
| Other revenue                                       | 17,416                  |
| <b>TOTAL REVENUES</b>                               | <u>712,401</u>          |
| <b>EXPENDITURES</b>                                 |                         |
| Fire operations                                     | 605,710                 |
| Parks and recreation                                | 79,714                  |
| Street lights                                       | 4,074                   |
| <b>TOTAL EXPENDITURES</b>                           | <u>689,498</u>          |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | 22,903                  |
| <b>OTHER FINANCING SOURCES AND (USES)</b>           |                         |
| Transfers in from other funds                       | -                       |
| Transfers out to other funds                        | -                       |
| <b>Net Other Financing Sources and (Uses)</b>       | <u>-</u>                |
| <b>Net change in fund balances</b>                  | 22,903                  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>             | 542,444                 |
| <b>FUND BALANCE - END OF YEAR</b>                   | <u>\$ 565,347</u>       |

DRAFT

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

---

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

|   |               |
|---|---------------|
| Net change in fund balances-total governmental funds  | \$ 22,903     |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the amount by which depreciation exceeded capital outlays | (34,078)      |
| The reduction of long-term debt is recorded as an expense in the governmental funds but is recorded as a reduction of long-term debt on the statement of net assets   | 11,862        |
| Change in net assets of governmental activities   | <u>\$ 687</u> |

DRAFT

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
MORONGO VALLEY, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

---

**1. NATURE OF ORGANIZATION**

Morongo Valley Community Services District, Morongo Valley, CA was incorporated August 4, 1958 under statutory authority as set forth in California Government Code Sec. 61000 et seq. The District is responsible for fire protection, parks and recreation, and street lighting.

**BOARD OF DIRECTORS**

|                                  |                     |
|----------------------------------|---------------------|
| President                        | -Johnny Tolbert     |
| Vice President                   | -Kristina Brook     |
| Fire Commissioner                | -Glen Shepherd      |
| Director of Legislative/Projects | -Michael J. Francis |
| Parks Commissioner               | -Chuck Osbourne     |

**ADMINISTRATION**

General Manager - Rick Lebel

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Morongo Valley Community Services District (the District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no component units and is not a component unit of another primary government.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Measurement focus, basis of accounting, and financial statement presentation**

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

---

Governmental fund financial statements are reported on the current *financial resources measurement focus* and the *modified accrual basis of accounting*. 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 of the current period. For this purpose, the government 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operation fund. It accounts for all financial resources of the general government, except those required to be accounted in another fund.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operation grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

### **Revenue**

Revenue consists primarily of property tax assessments.

### **Federal and State Grant Revenue**

Grant revenue is recognized when the program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

### **Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund.

### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

### **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 expenses during the reporting period. Actual results could differ from those estimates.

**Investments**

Under provision of the District's Investment Policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposits
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool Deposits)
- Passbook Savings Account Demand Deposits
- Repurchase Agreements
- Reverse Repurchase Agreements

**Capital Assets**

Capital assets includes property, equipment, and infrastructure assets (e.g. vehicles, equipment, office equipment and furniture), which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| Assets             | Years |
|--------------------|-------|
| Vehicles           | 10    |
| Office equipment   | 5     |
| Computer equipment | 5     |

**Long-Term Obligations**

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. There are no bond premiums or discount associated with these obligations.

**3. CASH AND INVESTMENTS**

Cash and cash equivalents consist of the following:

|  |                   |
|--|-------------------|
| Cash in bank   | 477,098           |
| Cash - restricted  | 15,142            |
| Total Cash and Cash Equivalents on deposit with Financial Institutions | <u>\$ 492,240</u> |

**Investments Authorized by the California Government Code and the District's Investment Policy**

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration credit risk. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

NOTES TO FINANCIAL STATEMENTS (Continued)

| Authorized Investment Type          | Maximum Maturity | Maximum Percentage of * Portfolio | Maximum Investment in One Issuer |
|-------------------------------------|------------------|-----------------------------------|----------------------------------|
| Local Agency Bonds                  | 5 years          | None                              | None                             |
| U.S. Treasury Obligations           | 5 years          | None                              | None                             |
| U.S. Agency Securities              | 5 years          | None                              | None                             |
| Banker's Acceptances                | 180 days         | 40%                               | 30%                              |
| Commercial Paper                    | 270 days         | 25%                               | 10%                              |
| Negotiable Certificates of Deposit  | 5 years          | 30%                               | None                             |
| Repurchase Agreements               | 1 year           | None                              | None                             |
| Reverse Repurchase Agreements       | 92 days          | 20% of base value                 | None                             |
| Medium-Term Notes                   | 5 years          | 30%                               | None                             |
| Mutual Funds                        | N/A              | 20%                               | 10%                              |
| Money Market Mutual Funds           | N/A              | 20%                               | 10%                              |
| Mortgage Pass-Through Securities    | 5 years          | 20%                               | None                             |
| County Pooled Investment Funds      | N/A              | None                              | None                             |
| Local Agency Investment Fund (LAIF) | N/A              | None                              | None                             |
| JPA Pools (other investment pools)  | N/A              | None                              | None                             |

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

**Disclosure Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates.

**Disclosure Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total District investments.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government code and the District investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit.

NOTES TO FINANCIAL STATEMENTS (Continued)

At year end the District's cash balance covered by federal depository insurance was made up of the following:

| <u>Account</u>   | <u>Insured</u>    | <u>Total</u>      |
|------------------|-------------------|-------------------|
| General fund     | \$ 21,471         | \$ 21,471         |
| Money Market     | 404,977           | 404,977           |
| Restricted funds | 15,142            | 15,142            |
| Petty cash       | 650               | 650               |
| CD               | 50,000            | 50,000            |
| <b>Total</b>     | <b>\$ 492,240</b> | <b>\$ 492,240</b> |

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a mutual funds or government investment pool.

**4. CAPITAL ASSETS**

The following is a summary of changes in the capital fixed assets during the fiscal year:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decrease</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|--------------------|-----------------|---------------------------|
| <b>Governmental Activities</b>               |                              |                    |                 |                           |
| <b>Assets:</b>                               |                              |                    |                 |                           |
| <i>Capital assets not being depreciated:</i> |                              |                    |                 |                           |
| Land   | \$ 203,330                   | \$ -               | \$ -            | \$ 203,330                |
| <i>Capital assets being depreciated:</i>     |                              |                    |                 |                           |
| Buildings and improvements                   | 588,312                      | -                  | -               | 588,312                   |
| Furniture and equipment                      | 430,008                      | 7,556              | -               | 437,564                   |
| Fire equipment                               | 552,271                      | 12,413             | -               | 564,684                   |
| Total Capital Assets being depreciated       | 1,570,591                    | 19,969             | -               | 1,590,560                 |
| <b>Accumulated Depreciation:</b>             |                              |                    |                 |                           |
| Buildings and improvements                   | (348,680)                    | (35,940)           | -               | (384,620)                 |
| Furniture and equipment                      | (381,699)                    | -                  | 6,939           | (374,760)                 |
| Fire equipment                               | (483,190)                    | (25,046)           | -               | (508,236)                 |
| Total Accumulated Depreciation               | (1,213,569)                  | (60,986)           | 6,939           | (1,267,616)               |
| <i>Net capital assets being depreciated</i>  | 357,022                      | (41,017)           | 6,939           | 322,944                   |
| <b>Net Governmental Activities</b>           |                              |                    |                 |                           |
| <b>Capital Assets</b>                        | <b>\$ 560,352</b>            | <b>\$ (41,017)</b> | <b>\$ 6,939</b> | <b>\$ 526,274</b>         |

**5. PROPERTY TAX CALENDAR**

The District's assessments are included on county property tax bills. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

|                 |                   |                      |
|-----------------|-------------------|----------------------|
| Lien date       | March 1           |                      |
| Levy date       | July 1 to June 30 |                      |
| Due date        | November 1        | - First installment  |
|                 | March 1           | - Second installment |
| Delinquent date | December 10       | - First installment  |
|                 | April 10          | - Second installment |

NOTES TO FINANCIAL STATEMENTS (Continued)

**6. INTERFUND RECEIVABLES/PAYABLES**

The following is a summary of interfund receivables and payables at June 30, 2012.

| FUND            | Due From<br>Other Funds | Due to<br>Other Funds |
|-----------------|-------------------------|-----------------------|
| General         | \$ -                    | \$ -                  |
| Special Revenue | -                       | -                     |
|                 | <u>\$ -</u>             | <u>\$ -</u>           |

**7. CREDIT LINE PAYABLE**

The District has entered into a line of credit agreement with a bank. Under this agreement the District can borrow working capital advances up to \$200,000. The agreement requires interest only payments. As of year end the interest rate was 9.25%. The balance as of year end on the credit line was \$-0-.

**8. LONG TERM DEBT**

The following represents the long term debt of the District:

|  |             |
|--|-------------|
| Engine 461: the District obtained a loan in the amount of \$183,619 on 8/13/01 to purchase Engine 461. The loan is 5.8% and requires a semi-annual payment of \$12,213. This loan was paid in full during the year | \$ -        |
| Total  | <u>\$ -</u> |

A summary of changes in long term debt is as follows:

|                 | Beginning<br>Balance | Additions   | Reduction          | Ending<br>Balance | Due Within<br>One Year |
|-----------------|----------------------|-------------|--------------------|-------------------|------------------------|
| Engine 461 Loan | \$ 11,862            |             | \$ (11,862)        | \$ -              | \$ -                   |
| Total           | <u>\$ 11,862</u>     | <u>\$ -</u> | <u>\$ (11,862)</u> | <u>\$ -</u>       | <u>\$ -</u>            |

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors & omissions on natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**10. SUBSEQUENT EVENTS**

Accounting standards require that the District assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The District evaluated all potential subsequent events as of August 30, 2012 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after the balance sheet date or as of August 30, 2012 that require disclosure in the financial statements.

**11. RESTRICTED CASH**

The District held restricted cash on hand at year end. The restricted cash includes amounts received for various programs the organization has including: the tennis program, library improvements, MAPS program, and the senior nutrition program. There is also an amount included for future improvements made to the Mojave property owned by the District.

DRAFT

**DRAFT**

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|   | General Fund     |       |                   | Variance<br>with Final<br>Budget<br>Positive<br>(Negative) |
|---|------------------|-------|-------------------|--|
|   | Budgeted amounts |       | Actual<br>Amounts |  |
|   | Original         | Final |                   |  |
| <b>REVENUES</b>   |                  |       |                   |  |
| Tax revenue   |                  |       | \$ 361,994        | \$ 361,994   |
| Fire assesment  |                  | -     | 286,528           | 286,528  |
| Tax revenue - homeowners property tax relief            |                  | -     | 4,745             | 4,745  |
| Grant Income  |                  | -     | 31,971            | 31,971   |
| Interest  |                  | -     | 4,873             | 4,873  |
| Fire services   |                  | -     | 1,542             | 1,542  |
| Park concessions  |                  | -     | 3,332             | 3,332  |
| Donations   |                  | -     | 17,416            | 17,416   |
| Other Revenue   |                  | -     | 0                 | -  |
| <b>TOTAL REVENUES</b>                                   |                  | -     | 712,401           | 712,401  |
| <b>EXPENDITURES</b>                                     |                  |       |                   |  |
| <b>General Government</b>                               |                  |       |                   |  |
| Wages and benefits                                      |                  | -     | 69,196            | (69,196)   |
| Operations expense                                      |                  | -     | 36,106            | (36,106)   |
| <b>Total General Government</b>                         |                  | -     | 105,302           | (105,302)  |
| <b>Fire Operations</b>                                  |                  |       |                   |  |
| Wages and benefits                                      |                  | -     | 343,085           | (343,085)  |
| Operations expense                                      |                  | -     | 157,646           | (157,646)  |
| <b>Total Fire Operations</b>                            |                  | -     | 500,731           | (500,731)  |
| <b>Parks and Recreation</b>                             |                  |       |                   |  |
| Wages and benefits                                      |                  | -     | 38,590            | (38,590)   |
| Operations expense                                      |                  | -     | 28,488            | (28,488)   |
| <b>Total Parks and Recreation</b>                       |                  | -     | 67,078            | (67,078)   |
| <b>Street Lights</b>                                    |                  |       |                   |  |
| Repairs and maintenance                                 |                  | -     | 4,074             | (4,074)  |
| <b>Total Street Lights</b>                              |                  | -     | 4,074             | (4,074)  |
| <b>Debt Service</b>                                     |                  |       |                   |  |
| Principal expense                                       |                  | -     | 11,862            | (11,862)   |
| Interest expense  |                  | -     | 451               | (451)  |
| <b>Total Debt Service</b>                               |                  | -     | 12,313            | (12,313)   |
| <b>TOTAL EXPENDITURES</b>                               |                  | -     | 689,498           | (689,498)  |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> |                  | -     | 22,903            | 22,903   |
| <b>OTHER FINANCING SOURCES AND (USES)</b>               |                  |       |                   |  |
| Transfers to/from other funds                           |                  | -     | -                 | -  |
| <b>Net Other Financing Sources and (Uses)</b>           |                  | -     | -                 | -  |
| <b>Net Change in Fund Balances</b>                      |                  | -     | 22,903            | 22,903   |
| FUND BALANCE - BEGINNING                                |                  | -     | 542,444           | 542,444  |
| <b>FUND BALANCE - END OF YEAR</b>                       |                  | \$ -  | \$ 565,347        | \$ 565,347   |

**DRAFT**

**SUPPLEMENTARY INFORMATION**

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|   | General Fund       |                        |                  | Total<br>Governmental<br>Funds |
|---|--------------------|------------------------|------------------|--------------------------------|
|   | Fire<br>Operations | Park and<br>Recreation | Street<br>Lights |                                |
| <b>REVENUES</b>                                     |                    |                        |                  |                                |
| Tax revenue   | \$ 324,425         | \$ 35,305              | 2,264            | \$ 361,994                     |
| Fire assesment                                      | 286,528            | -                      | -                | 286,528                        |
| Tax revenue - homeowners property tax relief        | 4,745              | -                      | -                | 4,745                          |
| Grant Income  | 31,880             | 91                     | -                | 31,971                         |
| Interest  | 4,288              | 585                    | -                | 4,873                          |
| Fire Service  | 1,542              | -                      | -                | 1,542                          |
| Rents and concessions                               | -                  | 3,332                  | -                | 3,332                          |
| Donations   | 15,517             | 1,869                  | -                | 17,416                         |
| Other Revenue                                       | -                  | -                      | -                | -                              |
| <b>TOTAL REVENUES</b>                               | <b>668,955</b>     | <b>41,182</b>          | <b>2,264</b>     | <b>712,401</b>                 |
| <b>EXPENDITURES</b>                                 |                    |                        |                  |                                |
| Salaries and wages                                  | 341,444            | 35,985                 | -                | 377,429                        |
| Employee benefits                                   | 38,757             | 10,957                 | -                | 49,714                         |
| Operations expense                                  | 213,196            | 31,050                 | 4,074            | 248,320                        |
| Grant expenses                                      | -                  | 1,722                  | -                | 1,722                          |
| Debt service  | 12,313             | -                      | -                | 12,313                         |
| <b>TOTAL EXPENDITURES</b>                           | <b>605,710</b>     | <b>79,714</b>          | <b>4,074</b>     | <b>689,498</b>                 |
| <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>63,245</b>      | <b>(38,532)</b>        | <b>(1,810)</b>   | <b>22,903</b>                  |
| <b>OTHER FINANCING SOURCES AND (USES)</b>           |                    |                        |                  |                                |
| Transfers in from other funds                       | -                  | -                      | -                | -                              |
| Transfers out to other funds                        | -                  | -                      | -                | -                              |
| <b>Net Other Financing Sources and (Uses)</b>       | <b>-</b>           | <b>-</b>               | <b>-</b>         | <b>-</b>                       |
| <b>Net change in fund balances</b>                  | <b>63,245</b>      | <b>(38,532)</b>        | <b>(1,810)</b>   | <b>22,903</b>                  |
| FUND BALANCE - BEGINNING OF YEAR                    | 381,448            | 157,848                | 3,148            | 542,444                        |
| <b>FUND BALANCE - END OF YEAR</b>                   | <b>\$ 444,693</b>  | <b>\$ 119,316</b>      | <b>\$ 1,338</b>  | <b>\$ 565,347</b>              |

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**CALCULATION OF APPROPRIATION SPENDING LIMIT (Prop. 4 "Gann Limit")**  
**FOR THE YEAR ENDED JUNE 30, 2012**

---

**Calculation of Spending Limit:**

|   |                 |                          |
|---|-----------------|--------------------------|
| Last Year's Limit                                 |                 | \$ 443,664               |
| Adjustment Factors:                               |                 |                          |
| Change in Population/City                         | 1.0072          |                          |
| 2011/12 Growth Factor                             | x <u>1.0251</u> |                          |
|   | 1.0325          |                          |
| Total Adjustment (Dollars)                        |                 | <u>14,410</u>            |
| New Appropriation Limit for Fiscal Year 2011-2012 |                 | <u><u>\$ 458,075</u></u> |

**Appropriations in Fiscal Year 2011-2012 Compared to Limit:**

|                                       |                         |
|---------------------------------------|-------------------------|
| Proceed from Taxes                    | \$ 695,509              |
| Less Exclusions                       | <u>(310,517)</u>        |
| Appropriations Subject to Limitation  | 384,992                 |
| Appropriations Limit for FY 2011-2012 | <u>458,075</u>          |
| Amount Under Limit                    | <u><u>\$ 73,083</u></u> |

|  |
|--|
| <p><b>Explanation of Gann Spending Limit:</b><br/>         The Gann spending limit places a cap on the amount of local government spending that may be financed from proceeds of taxes. The limit is adjusted annually by a combined growth factor, which takes into account both inflation and population growth.</p> |
|--|

**MORONGO VALLEY COMMUNITY SERVICES DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2012**

---

**A. REQUIRED SUPPLEMENTARY INFORMATION**

Budgets are developed consistent with generally accepted accounting principles. All annual appropriations lapse at year end.

Budget information is presented by key government operations of the District. Encumbrances exceeded appropriations in various line items of the budget but in total did not exceed the budget.

**B. SUPPLEMENTARY INFORMATION**

The combining statement of revenues and expenditures reflects the revenues and expenditures of the District by key government activity in accordance with the governmental fund presentation.

**DRAFT**