



Financial Statements
June 30, 2021

Colton Joint Unified School District

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Independent Auditor's Report

To the Governing Board
Colton Joint Unified School District
Colton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colton Joint Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colton Joint Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Correction of Error

As discussed in Note 16 to the financial statements, there was a correction to prior year revenues, which resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, Colton Joint Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison schedule on page 76, schedule of changes in the District's total OPEB liability and related ratios on page 77, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 78, schedule of the District's proportionate share of the net pension liability on pages 79 and 80, and the schedule of District contributions on pages 81 and 82, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colton Joint Unified School District's financial statements. The combining non-major governmental fund financial statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2022 on our consideration of Colton Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Colton Joint Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Colton Joint Unified School District's internal control over financial reporting and compliance.



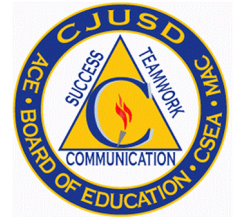
Rancho Cucamonga, California
January 25, 2022

Colton Joint Unified School District

Dr. Frank Miranda, Superintendent

Rick Jensen, Assistant Superintendent, Business Services Division

Mariamanda Sarabia, Director of Fiscal Services, Risk Management & Health Benefits



Commitment to Equal Opportunity

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This section of Colton Joint Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities increased by \$11.5 million to \$19.0 million.
- Governmental expenses were \$363.7 million. Revenues were \$375.2 million.
- The District acquired over \$17.3 million in capital assets and construction in progress additions. These expenditures were incurred primarily from modernization projects and new construction.
- The District increased its outstanding long-term liabilities other than OPEB and pensions by \$22.6 million or about 9.0%. This is primarily due to the issuance of general obligation bonds and an offering of a supplemental early retirement plan.
- Governmental funds ended the year at \$173.1 million, which was \$48.8 million higher than how they began the year.
- Reserves for the General Fund increased by \$4.2 million to \$8.9 million partially because of COVID-19 related revenues recognized in 2020-2021. Revenues were \$330.1 million and expenditures and other uses were \$297.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Colton Joint Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

Proprietary Funds - When the District provides and charges services to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Proprietary Statement of Net Position and the Proprietary Statement of Revenues, Expenses, and Changes in Fund Net Position. We use an internal service fund (a component of proprietary funds) to report activities related to the District's self-insured program for workers' compensation claims. The internal service fund is reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for Community Facilities Districts (CFD) activities. The District's fiduciary activities are reported in the Fiduciary Statement of Net Position and the Fiduciary Statement of Changes in Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT'S GOVERNMENTAL ACTIVITIES

Net Position

The District's net position was \$17,257,131 for the fiscal year ended June 30, 2021. Of this amount, \$(293,365,668) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2021	2020 as restated
Assets		
Current and other assets	\$ 283,144,546	\$ 194,668,856
Capital assets	413,186,289	410,086,815
Total assets	<u>696,330,835</u>	<u>604,755,671</u>
Deferred outflows of resources	<u>85,444,029</u>	<u>88,881,675</u>
Liabilities		
Current liabilities	89,926,466	47,888,235
Long-term liabilities other than OPEB and pensions	273,328,485	250,768,500
Net other postemployment benefits (OPEB) liability	71,816,119	65,128,843
Aggregate net pension liability	<u>297,039,296</u>	<u>277,340,291</u>
Total liabilities	<u>732,110,366</u>	<u>641,125,869</u>
Deferred inflows of resources	<u>30,629,070</u>	<u>44,994,337</u>
Net Position		
Net investment in capital assets	219,607,909	212,830,776
Restricted	91,014,890	95,575,174
Unrestricted (deficit)	<u>(291,587,371)</u>	<u>(300,885,810)</u>
Total net position	<u>\$ 19,035,428</u>	<u>\$ 7,520,140</u>

The \$(291,587,371) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 3.1% (\$(291,587,371) compared to \$(300,885,810)).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 16. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2021	2020 as restated *
Revenues		
Program revenues		
Charges for services and sales	\$ 698,531	\$ 2,432,283
Operating grants and contributions	96,058,304	47,163,736
Capital grants and contributions	5,923,365	8,371,720
General revenues		
Federal and State aid not restricted	202,223,679	205,613,541
Property taxes	50,861,260	52,515,756
Other general revenues	19,446,164	3,697,080
Total revenues	375,211,303	319,794,116
Expenses		
Instruction-related	229,054,031	209,567,331
Pupil services	45,113,244	46,832,032
Administration	29,121,896	21,744,565
Plant services	35,814,286	33,019,086
All other services	24,592,558	17,612,705
Total expenses	363,696,015	328,775,719
Change in net position	\$ 11,515,288	\$ (8,981,603)

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes, but were restated to include the effects of the prior period restatement identified in Note 16.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$363,696,015. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$50,861,260 because the cost was paid by those who benefited from the programs (\$698,531) or by other governments and organizations who subsidized certain programs with grants and contributions (\$101,981,669). We paid for the remaining “public benefit” portion of our governmental activities with \$202,223,679 in State funds, and with \$19,446,164 in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District’s largest functions: instruction-related, including special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020 *	2021	2020 *
Instruction-related	\$ 229,054,031	\$ 209,567,331	\$ 164,157,657	\$ 173,134,981
Pupil services	45,113,244	46,832,032	26,014,236	30,175,748
Administration	29,121,896	21,744,565	19,976,081	20,770,231
Plant services	35,814,286	33,019,086	32,744,288	31,070,713
All other services	24,592,558	17,612,705	18,123,553	15,656,307
Total	\$ 363,696,015	\$ 328,775,719	\$ 261,015,815	\$ 270,807,980

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$173,106,371, which is an increase of \$48,769,796, or 39.2% from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			June 30, 2021
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 44,784,948	\$ 330,120,407	\$ 297,464,204	\$ 77,441,151
Student Activity Fund	706,472	150,470	162,249	694,693
Adult Education Fund	175,524	796,095	772,879	198,740
Child Development Fund	110,201	3,952,087	3,568,342	493,946
Cafeteria Fund	2,585,787	6,323,942	8,703,183	206,546
Building Fund	7,273,517	15,346,798	558,673	22,061,642
Capital Facilities Fund	17,517,907	4,513,200	2,990,137	19,040,970
County School Facilities Fund	11,217,914	5,923,365	9,600	17,131,679
Special Reserve Fund for Capital Outlay Projects	17,964,298	2,041,166	9,283,259	10,722,205
Capital Projects Fund for Blended Component Units	101	-	-	101
Bond Interest and Redemption	21,999,906	61,062,112	57,947,320	25,114,698
Total	<u>\$ 124,336,575</u>	<u>\$ 430,229,642</u>	<u>\$ 381,459,846</u>	<u>\$ 173,106,371</u>

The primary reasons for these increases are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$32.7 million to \$77.4 million. This increase is due to unspent COVID-19 related funding received to mitigate the effect of COVID-19 and unrestricted one-time carryover.

General Fund Budgetary Highlights

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

- Revenues – increased by \$39 million primarily to reflect federal and state budget actions. This includes the funded COLA for LCFF which increased from -10% to 0% and the Cares Act which provided one-time funds for Learning Loss Mitigation.
- Salaries and benefits costs – increased \$5.5 million attributable to temporary teachers being hired for distance learning needs and Covid related stipends for certificated and classified staff.
- While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$4.4 million, the actual results for the year show that revenues exceeded expenses by \$32.7 million. Actual revenues were \$14.5 million more than anticipated, and expenditures were \$18.6 million less than budgeted.
- The excess of unspent budgeted expenditures consists primarily of unrestricted and restricted dollars that were not spent as of June 30, 2020 and will be carried over into the 2021-2022 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$413,186,289 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$3,099,474, or 0.8%, from last year (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 64,154,676	\$ 52,662,504
Buildings and improvements	337,078,906	346,824,037
Equipment	11,952,707	10,600,274
Total	\$ 413,186,289	\$ 410,086,815

This year’s additions of \$17.3 million are due to facility upgrades and new construction.

The District presents more detailed information of our capital assets in Note 4 of the financial statements.

Long-Term Liabilities other than OPEB and Pension

At the end of this year, the District had \$273,328,485 in long-term liabilities other than OPEB and pension versus \$250,765,500 last year, resulting in an increase of \$22,562,985, or 9.0%, from last year. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 235,913,847	\$ 216,264,265
Unamortized debt premiums	12,724,898	14,820,827
Financing lease	-	602,300
Building acquisition lease	6,471,092	6,702,763
Supplemental early retirement plan	8,171,243	3,121,777
Claims liability	7,379,073	7,027,688
Compensated absences	2,668,332	2,225,880
Total	\$ 273,328,485	\$ 250,765,500

The District presents more detailed information of our long-term liabilities other than OPEB and pension in Note 9 of the financial statements.

OPEB and Net Pension Liabilities

At year-end, the District had a net other postemployment benefit liability (OPEB) of \$71,816,119 versus \$65,128,843 last year, an increase of \$6,687,276, or 10.3%.

In addition, the District has an aggregate net pension liability of \$297,039,296 versus \$277,340,291 last year, an increase of \$19,699,005, or 7.1%.

FACTORS BEARING ON THE DISTRICT'S FUTURE

On June 28, 2021, Governor Gavin Newsom signed the budget which maintained several items that were included in the May Revision including a 5.07% Cost of Living Adjustment (COLA) to the Local Control Funding Formula (LCFF), 4.05% COLA to Special Education, 1.7% to state categorical programs, and contributions to the Public School System Stabilization Account and rainy-day funds. Additionally the budget provides \$11 billion to eliminate deferrals and \$1.1 billion for concentration grant increase.

Assembly Bill 167 was signed by the Governor on September 23, 2021 resulting the in following changes since budget adoption:

- Additional LCFF Concentration Grant funds and the LCAP Supplemental Grant
- Prekindergarten Planning and Implementation Grant Program
- A-G Completion Grant
- Kitchen Infrastructure Grant

Federal Funding

The America Rescue Plan was approved in March 2021 providing K-12 LEAs approximately \$15.3 billion of Elementary and Secondary School Emergency Relief (ESSER III) funds. ESSER III funds, along with Learning Loss Mitigation funds, and Expanded Learning Opportunities funds will be spent over the course of 2021-22, 2022-2023 and 2023-24 depending on varying timelines.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services Division, at Colton Joint Unified School District, 1212 Valencia Drive, Colton, California, 92324.

Colton Joint Unified School District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Deposits and investments	\$ 227,297,327
Receivables	55,057,563
Prepaid expense	96,357
Stores inventories	693,299
Capital assets not depreciated	64,154,676
Capital assets, net of accumulated depreciation	349,031,613
Total assets	696,330,835
Deferred Outflows of Resources	
Deferred charge on refunding	9,016,825
Deferred outflows of resources related to OPEB	6,421,719
Deferred outflows of resources related to pensions	70,005,485
Total deferred outflows of resources	85,444,029
Liabilities	
Accounts payable	54,473,244
Accrued interest payable	2,536,160
Unearned revenue	4,302,062
Current loans	28,615,000
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	17,788,455
Long-term liabilities other than OPEB and pensions due in more than one year	255,540,030
Net other postemployment benefits (OPEB) liability	71,816,119
Aggregate net pension liability	297,039,296
Total liabilities	732,110,366
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	18,225,255
Deferred inflows of resources related to pensions	12,403,815
Total deferred inflows of resources	30,629,070
Net Position	
Net investment in capital assets	219,607,909
Restricted for	
Debt service	22,578,538
Capital projects	36,172,649
Educational programs	15,725,388
Other restrictions	16,538,315
Unrestricted (deficit)	(291,587,371)
Total net position	\$ 19,035,428

Colton Joint Unified School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 196,791,305	\$ 533	\$ 51,761,743	\$ 5,923,365	\$ (139,105,664)
Instruction-related activities					
Supervision of instruction	9,625,978	20	5,159,846	-	(4,466,112)
Instructional library, media, and technology	2,863,728	-	186,878	-	(2,676,850)
School site administration	19,773,020	53	1,863,936	-	(17,909,031)
Pupil services					
Home-to-school transportation	5,446,275	-	33,085	-	(5,413,190)
Food services	11,235,793	-	4,425,297	-	(6,810,496)
All other pupil services	28,431,176	27,718	14,612,908	-	(13,790,550)
Administration					
Data processing	13,378,001	-	7,425,160	-	(5,952,841)
All other administration	15,743,895	5,759	1,714,896	-	(14,023,240)
Plant services	35,814,286	14,156	3,055,842	-	(32,744,288)
Ancillary services	2,774,719	-	239,532	-	(2,535,187)
Community services	16,643	-	84,489	-	67,846
Enterprise services	169,313	-	-	-	(169,313)
Interest on long-term liabilities	10,993,994	-	-	-	(10,993,994)
Other outgo	10,637,889	650,292	5,494,692	-	(4,492,905)
Total governmental activities	<u>363,696,015</u>	<u>698,531</u>	<u>96,058,304</u>	<u>5,923,365</u>	<u>(261,015,815)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					33,559,433
Property taxes, levied for debt service					13,691,345
Taxes levied for other specific purposes					3,610,482
Federal and State aid not restricted to specific purposes					202,223,679
Interest and investment earnings					2,453,103
Miscellaneous					<u>16,993,061</u>
Subtotal, general revenues and subventions					<u>272,531,103</u>
Change in Net Position					11,515,288
Net Position - Beginning, as restated					<u>7,520,140</u>
Net Position - Ending					<u><u>\$ 19,035,428</u></u>

Colton Joint Unified School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and investments	\$ 106,921,708	\$ 97,417,045	\$ 204,338,753
Receivables	53,769,997	1,212,272	54,982,269
Due from other funds	2,551,659	302,533	2,854,192
Prepaid expenditures	96,357	-	96,357
Stores inventories	624,513	68,786	693,299
	<u>624,513</u>	<u>68,786</u>	<u>693,299</u>
Total assets	<u>\$ 163,964,234</u>	<u>\$ 99,000,636</u>	<u>\$ 262,964,870</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 53,144,766	\$ 1,252,394	\$ 54,397,160
Due to other funds	461,255	2,083,022	2,544,277
Other current liabilities	28,615,000	-	28,615,000
Unearned revenue	4,302,062	-	4,302,062
	<u>4,302,062</u>	<u>-</u>	<u>4,302,062</u>
Total liabilities	<u>86,523,083</u>	<u>3,335,416</u>	<u>89,858,499</u>
Fund Balances			
Nonspendable	795,870	93,786	889,656
Restricted	15,725,388	84,618,609	100,343,997
Committed	29,170,875	-	29,170,875
Assigned	22,826,918	10,952,825	33,779,743
Unassigned	8,922,100	-	8,922,100
	<u>8,922,100</u>	<u>-</u>	<u>8,922,100</u>
Total fund balances	<u>77,441,151</u>	<u>95,665,220</u>	<u>173,106,371</u>
Total liabilities and fund balances	<u>\$ 163,964,234</u>	<u>\$ 99,000,636</u>	<u>\$ 262,964,870</u>

Colton Joint Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Funds		\$ 173,106,371
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 594,064,501	
Accumulated depreciation is	<u>(180,878,212)</u>	
Net capital assets		413,186,289
<p>In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.</p>		
		(2,536,160)
<p>An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.</p>		
		15,268,796
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Debt refundings (deferred charge on refunding)	9,016,825	
Other postemployment benefits (OPEB) liability	6,421,719	
Aggregate net pension liability	<u>70,005,485</u>	
Total deferred outflows of resources		85,444,029
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits (OPEB) liability	(18,225,255)	
Aggregate net pension liability	<u>(12,403,815)</u>	
Total deferred inflows of resources		(30,629,070)
<p>Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(297,039,296)

Colton Joint Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (71,816,119)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	\$ (203,682,661)	
Unamortized premium on issuance	(12,724,898)	
Building acquisition lease	(6,471,092)	
Compensated absences (vacations)	(2,668,332)	
Supplemental early retirement plan	(8,171,243)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(32,231,186)</u>	
Total long-term liabilities		<u>(265,949,412)</u>
Total net position - governmental activities		<u><u>\$ 19,035,428</u></u>

Colton Joint Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	\$ 231,083,457	\$ -	\$ 231,083,457
Federal sources	51,547,690	5,392,840	56,940,530
Other State sources	33,093,012	8,839,934	41,932,946
Other local sources	14,396,248	19,843,289	34,239,537
Total revenues	<u>330,120,407</u>	<u>34,076,063</u>	<u>364,196,470</u>
Expenditures			
Current			
Instruction	165,406,032	2,669,797	168,075,829
Instruction-related activities			
Supervision of instruction	8,736,599	46,728	8,783,327
Instructional library, media, and technology	2,652,122	-	2,652,122
School site administration	16,200,615	800,869	17,001,484
Pupil services			
Home-to-school transportation	4,925,395	-	4,925,395
Food services	738,096	8,703,183	9,441,279
All other pupil services	24,847,398	581,807	25,429,205
Administration			
Data processing	12,898,722	-	12,898,722
All other administration	13,905,242	201,568	14,106,810
Plant services	31,692,072	631,275	32,323,347
Ancillary services	1,944,513	162,249	2,106,762
Community services	16,643	-	16,643
Other outgo	3,356,712	-	3,356,712
Enterprise services	74,097	-	74,097
Facility acquisition and construction	4,017,677	12,250,846	16,268,523
Debt service			
Principal	833,971	7,515,000	8,348,971
Interest and other	420,008	6,450,458	6,870,466
Total expenditures	<u>292,665,914</u>	<u>40,013,780</u>	<u>332,679,694</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>37,454,493</u>	<u>(5,937,717)</u>	<u>31,516,776</u>
Other Financing Sources (Uses)			
Transfers in	-	4,798,290	4,798,290
Other sources - proceeds from issuance of refunding general obligation bonds	-	44,550,000	44,550,000
Other sources - proceeds from issuance of general obligation bonds	-	14,997,444	14,997,444
Other sources - premium on issuance of general obligations bonds	-	1,687,438	1,687,438
Transfers out	(4,798,290)	-	(4,798,290)
Other uses - payment to refunded bond escrow agent	-	(43,981,862)	(43,981,862)
Net Financing Sources (Uses)	<u>(4,798,290)</u>	<u>22,051,310</u>	<u>17,253,020</u>
Net Change in Fund Balances	32,656,203	16,113,593	48,769,796
Fund Balance - Beginning, as restated	44,784,948	79,551,627	124,336,575
Fund Balance - Ending	<u>\$ 77,441,151</u>	<u>\$ 95,665,220</u>	<u>\$ 173,106,371</u>

Colton Joint Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 48,769,796

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

Capital outlays	\$ 16,371,001
Depreciation expense	<u>(13,262,752)</u>

Net expense adjustment	3,108,249
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (8,775)

In the Statement of Activities, certain operating expenses, such as supplemental early retirement plans are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between supplemental early retirement plans earned and used. (5,049,466)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. (442,452)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year. (18,405,405)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (677,692)

Colton Joint Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Proceeds received from general obligation bond issuances is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	\$ (59,547,444)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(1,687,438)
Deferred charge on refunding recognized	4,518,768
Premium amortization	3,783,367
Deferred charge on refunding amortization	(894,331)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	44,495,207
Financing lease	602,300
Building acquisition lease	231,671
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	(4,529,676)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	<u>(2,751,391)</u>
Change in net position of governmental activities	<u>\$ 11,515,288</u>

Colton Joint Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	Internal Service Fund
Assets	
Current assets	
Deposits and investments	\$ 22,958,574
Receivables	75,294
Due from other funds	158,722
	23,192,590
Total current assets	23,192,590
Liabilities	
Current liabilities	
Accounts payable	76,084
Due to other funds	468,637
Current portion of claims liabilities	98,056
	642,777
Total current liabilities	642,777
Noncurrent liabilities	
Claims liabilities	7,281,017
	7,281,017
Total liabilities	7,923,794
Net Position	
Restricted	\$ 15,268,796

Colton Joint Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Internal Service Fund
Operating Revenues	
Charges for services	\$ 1,154,945
Operating Expenses	
Payroll costs	2,459,394
Supplies and materials	16,601
Facility rental	142
Other operating cost	1,850,296
Total operating expenses	4,326,433
Operating Loss	(3,171,488)
Nonoperating Revenues	
Fair market value adjustments	154,416
Interest income	265,681
Total nonoperating revenues	420,097
Change in Net Position	(2,751,391)
Total Net Position - Beginning	18,020,187
Total Net Position - Ending	\$ 15,268,796

Colton Joint Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Internal Service Fund
Operating Activities	
Cash receipts from interfund services provided	\$ 3,346,570
Other operating cash receipts	80,843
Cash payments to other suppliers of goods or services	388,515
Cash payments to employees for services	(2,459,394)
Other operating cash payments	<u>(1,850,296)</u>
Net Cash Used for Operating Activities	<u>(493,762)</u>
Investing Activities	
Fair market value adjustments	154,416
Interest on investments	<u>265,681</u>
Net Cash From Investing Activities	<u>420,097</u>
Net Change in Cash and Cash Equivalents	(73,665)
Cash and Cash Equivalents, Beginning	<u>23,032,239</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 22,958,574</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating income	\$ (3,171,488)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities	
Changes in assets and liabilities	
Receivables	80,843
Due from other fund	2,378,587
Accounts payable	53,873
Due to other fund	(186,962)
Claims liability	<u>351,385</u>
Net Cash Used for Operating Activities	<u><u>\$ (493,762)</u></u>

Colton Joint Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 5,339,074</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 5,339,074</u>

Colton Joint Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021

	Custodial Funds
Additions	
Collections from property owners	\$ 741,368
Interest	54,707
Total additions	796,075
Deductions	
Payments to investors	406,591
Other expenditures	16,234
Total deductions	422,825
Net Increase In Fiduciary Net Position	373,250
Net Position - Beginning, as restated	4,965,824
Net Position - Ending	\$ 5,339,074

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Colton Joint Unified School District (the District) was established in 1966 under the laws of the State of California. The District operates eighteen elementary schools, four middle schools, three high schools, a continuation high school, an adult school, a school for alternative education, and child development centers.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it was part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Colton Joint Unified School District Facilities Corporation (the "Corporation") financial activity is presented in the financial statements in the Capital Projects Fund for Blended Component Units. A financing lease executed and delivered by the Corporation is included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Colton Joint Unified School District Community Facilities Districts (CFDs No. 2 and No. 3) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as custodial funds held for CFD debt service activity. Special Tax Bonds issued by the CFDs are not included in the long-term liabilities of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance, revenues, and expenditures and other financing uses of \$825,092, \$14,084, and \$51,362, respectively.

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.
- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).
- **Capital Projects Fund for Blended Component Units** The Capital Projects Fund for Blended Component Units is used to account for capital projects financed by Joint Powers Authorities and similar entities that are considered blended component units of the District under generally accepted accounts principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

- **Internal Service Fund** Internal Service Funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds are used to account for activity of the Colton Joint Unified School District Community Facilities Districts (CFDs No. 2 and No. 3).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

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

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the internal service fund, and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. In the governmental fund financial statements, each major fund is presented in a separate column and non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the governmental funds.

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB relate to contributions subsequent to measurement date, differences between expected and actual experiences in the measurement of total pension liability, change in proportions and differences between contributions and the District's proportionate share of contributions, differences between projected and actual earnings on pension plan investments, and changes of assumptions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for to pension and OPEB relate to change in proportions and differences between contributions and the District's proportionate share of contributions , differences between expected and actual experiences in the measurement of total OPEB and total pension liability, and changes of assumptions.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Current Loans

Current loans consist of amounts outstanding at year end for Tax Revenue and Anticipation Notes. The notes were issued as short-term liabilities to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$91,014,890 of restricted net position which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental and a reclassification of agency funds to custodial funds. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 17.

New Accounting Pronouncements

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

The requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 204,338,753
Proprietary funds	22,958,574
Fiduciary funds	<u>5,339,074</u>
Total deposits and investments	<u><u>\$ 232,636,401</u></u>

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

Cash on hand and in banks	\$ 699,693
Cash in revolving	100,000
Cash with fiscal agent	434,221
Investments	<u>231,402,487</u>
Total deposits and investments	<u><u>\$ 232,636,401</u></u>

Policies and Practices

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

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

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the Pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Treasury Investment Pool and LAIF. The San Bernardino County Treasury Investment Pool and LAIF purchase a combination of shorter term and longer term investments and time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

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

Investment Type	Reported Amount	Average Maturity in Days
U.S. Bank - Money Market	\$ 841,264	Demand
Local Agency Investment Fund	137,138	291
San Bernardino County Treasury Investment Pool	230,424,085	461
Total	\$ 231,402,487	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Treasury Investment Pool are rated AA+ by Fitch Ratings. The District's investments in the U.S. Bank Money Market and Local Agency Investment Fund are not required to be rated, nor have they been rated as of June 30, 2021.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of \$900,832 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Internal Service Fund</u>
Federal Government				
Categorical aid	\$ 6,326,855	\$ 514,334	\$ 6,841,189	\$ -
State Government				
LCFF apportionment	35,856,065	-	35,856,065	-
Categorical aid	1,232,317	377,644	1,609,961	-
Lottery	966,938	-	966,938	-
Special education	8,951,057	-	8,951,057	-
Local Government				
Interest	167,345	310,711	478,056	52,296
Other local sources	269,420	9,583	279,003	22,998
	<u>\$ 53,769,997</u>	<u>\$ 1,212,272</u>	<u>\$ 54,982,269</u>	<u>\$ 75,294</u>

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 40,941,444	\$ -	\$ -	\$ 40,941,444
Construction in progress	11,721,060	12,400,046	(907,874)	23,213,232
	<u>52,662,504</u>	<u>12,400,046</u>	<u>(907,874)</u>	<u>64,154,676</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Land improvements	232,803,324	-	-	232,803,324
Buildings and improvements	265,861,865	1,796,096	-	267,657,961
Furniture and equipment	31,009,603	3,082,733	(4,643,796)	29,448,540
	<u>529,674,792</u>	<u>4,878,829</u>	<u>(4,643,796)</u>	<u>529,909,825</u>
Total capital assets being depreciated				
Total capital assets	<u>582,337,296</u>	<u>17,278,875</u>	<u>(5,551,670)</u>	<u>594,064,501</u>
Accumulated depreciation				
Land improvements	(41,972,392)	(5,441,828)	-	(47,414,220)
Buildings and improvements	(109,868,760)	(6,099,399)	-	(115,968,159)
Furniture and equipment	(20,409,329)	(1,721,525)	4,635,021	(17,495,833)
	<u>(172,250,481)</u>	<u>(13,262,752)</u>	<u>4,635,021</u>	<u>(180,878,212)</u>
Total accumulated depreciation				
Governmental activities capital assets, net	<u>\$ 410,086,815</u>	<u>\$ 4,016,123</u>	<u>\$ (916,649)</u>	<u>\$ 413,186,289</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 10,742,830
School site administration	530,509
Food services	1,193,648
All other pupil services	265,255
Ancillary Services	530,510
	<u>13,262,752</u>
Total depreciation expenses governmental activities	<u>\$ 13,262,752</u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major, non-major governmental funds and the internal service fund are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 2,083,022	\$ 468,637	\$ 2,551,659
Non-Major Governmental Funds	302,533	-	-	302,533
Internal Service Fund	158,722	-	-	158,722
Total	<u>\$ 461,255</u>	<u>\$ 2,083,022</u>	<u>\$ 468,637</u>	<u>\$ 3,012,914</u>

A balance of \$157,713 is due from the Child Development Non-Major Governmental Fund to the General Fund for employee benefits and indirect costs.

A balance of \$1,852,962 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for employee benefits, temporary loans, and operating costs.

The balance of \$468,637 is due from the Internal Service Fund to the General Fund for employee benefits.

A balance of \$79,226 is from to the General Fund to the Child Development Non-Major Governmental Fund for operating contributions.

A balance of \$214,211 is due from the General Fund to the Cafeteria Non-Major Governmental Fund for salaries and benefits.

The balance of \$158,637 is due from the General Fund to the Internal Service Fund for employee benefits.

All other balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	<u>\$ 4,798,290</u>
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions and an in-kind match.	\$ 554,226
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for operating contributions.	2,500,000
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for capital project expenditures.	<u>1,744,064</u>
Total	<u>\$ 4,798,290</u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund
Vendor payables	\$ 5,819,165	\$ 1,081,439	\$ 6,900,604	\$ 76,084
LCFF apportionment	33,404,594	-	33,404,594	-
Salaries and benefits	<u>13,921,007</u>	<u>170,955</u>	<u>14,091,962</u>	<u>-</u>
Total	<u>\$ 53,144,766</u>	<u>\$ 1,252,394</u>	<u>\$ 54,397,160</u>	<u>\$ 76,084</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund
Federal financial assistance	\$ 273,396
State categorical aid	4,028,666
Total	\$ 4,302,062

Note 8 - Tax and Revenue Anticipation Notes (TRAN)

The District issued \$28,570,000 of 2021 Series A-1 and \$45,000 of 2021 Series A-2 State Aid Intercept Notes, dated March 10, 2021, through the California School Finance Authority State Aid Intercept Notes (Fiscal Year 2020-2021) School and Community College District Deferrals Program. The Series A-1 notes yield 0.140% interest, and the Series A-2 notes yield 0.220% interest. The notes mature on December 30, 2021 and were sold to provide operating cash prior to the District's receipt of anticipated tax payments and other revenues. Repayment terms require the District to repay the loan balance using deferred state apportionment revenues received from July through November 2021.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2020	Additions	Payments	Outstanding June 30, 2021
March 10, 2021	0.140% - 0.220%	12/30/2021	\$ -	\$ 28,615,000	\$ -	\$ 28,615,000

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 216,264,265	\$ 64,144,789	\$ (44,495,207)	\$ 235,913,847	\$ 14,540,000
Unamortized debt premiums	14,820,827	1,687,438	(3,783,367)	12,724,898	-
Financing lease	602,300	-	(602,300)	-	-
Building acquisition lease	6,702,763	-	(231,671)	6,471,092	267,440
Compensated absences	2,225,880	442,452	-	2,668,332	-
Supplemental early retirement plan	3,121,777	6,610,355	(1,560,889)	8,171,243	2,882,959
Claims liability	7,027,688	449,441	(98,056)	7,379,073	98,056
Total	<u>\$ 250,765,500</u>	<u>\$ 73,334,475</u>	<u>\$ (50,771,490)</u>	<u>\$ 273,328,485</u>	<u>\$ 17,788,455</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. Payments for the financing lease, building acquisition lease, and supplemental early retirement plan are made from the General Fund. The claims liability will be paid by the Internal Service Fund. The compensated absences will be paid by the General Fund, the Adult Education Fund, the Child Development Fund, the Cafeteria Fund, the Building Fund, and the Self-Insurance Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Bonds Issued	Interest Accreted	Bonds Redeemed	Bonds Outstanding June 30, 2021
7/14/2004	2/1/2029	2.00-5.89%	\$ 23,177,726	\$ 5,497,702	\$ -	\$ 369,901	\$ -	\$ 5,867,603
1/11/2006	2/1/2038	3.17-5.12%	50,122,151	3,439,967	-	281,109	-	3,721,076
8/31/2010	8/1/2046	5.00-12.00%	41,938,348	63,001,596	-	3,929,537	(13,675,207)	53,255,926
7/7/2011	8/1/2026	5.458-6.008%	11,900,000	11,900,000	-	-	-	11,900,000
5/31/2012	8/1/2026	2.00-5.00%	22,190,000	12,835,000	-	-	(9,785,000)	3,050,000
5/1/2013	8/1/2027	2.00-5.00%	38,625,000	27,150,000	-	-	(18,110,000)	9,040,000
2/25/2016	2/1/2036	2.00-5.00%	19,010,000	19,010,000	-	-	-	19,010,000
8/2/2016	8/1/2044	2.00-4.00%	24,645,000	22,715,000	-	-	(270,000)	22,445,000
8/2/2016	8/1/2046	2.00-5.00%	51,540,000	50,715,000	-	-	(1,655,000)	49,060,000
10/14/2020	8/1/2046	0.50-4.00%	14,997,444	-	14,997,444	16,798	(1,000,000)	14,014,242
10/14/2020	8/1/2035	0.437-2.371%	44,550,000	-	44,550,000	-	-	44,550,000
				<u>\$ 216,264,265</u>	<u>\$ 59,547,444</u>	<u>\$ 4,597,345</u>	<u>\$ (44,495,207)</u>	<u>\$ 235,913,847</u>

2001 General Obligation Bonds, Series B

On July 14, 2004, the District issued the 2001 General Obligation Bonds, Series B in the amount of \$23,177,726. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$7,542,274, and an aggregate principal debt service balance of \$30,720,000. The bonds have a final maturity to occur on February 1, 2029, with interest rates ranging from 2.00 to 5.89%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2021, the principal balance outstanding on the 2001 General Obligation Bonds, Series B was \$5,867,603.

2001 General Obligation Bonds, Series C

On January 11, 2006, the District issued the 2001 General Obligation Bonds, Series C in the amount of \$50,122,151. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$49,472,849, and an aggregate principal debt service balance of \$99,595,000. The bonds have a final maturity to occur on February 1, 2038, with interest rates ranging from 3.17 to 5.12%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2021, the principal balance outstanding on the 2001 General Obligation Bonds, Series C was \$3,721,076.

2008 General Obligation Bonds, Series B

On August 31, 2010, the District issued the 2008 General Obligation Bonds, Series B in the amount of \$41,938,348. The bonds were issued as current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds with the value of the capital appreciation bonds accreting \$151,282,707, and an aggregate principal debt service balance of \$193,221,056. The bonds have a final maturity to occur on August 1, 2046, with interest rates ranging from 5.00 to 12.00%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2021, the principal balance outstanding on the 2008 General Obligation Bonds, Series B was \$53,255,926.

2008 General Obligation Bonds, Series C

On July 7, 2011, the District issued the 2008 General Obligation Bonds, Series C in the amount of \$11,900,000. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2026, with interest rates ranging from 5.458 to 6.008%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2021, the principal balance outstanding on the 2008 General Obligation Bonds, Series C was \$11,900,000 and unamortized premium on issuance was \$862,634.

2012 General Obligation Refunding Bonds

On May 31, 2012, the District issued the 2012 General Obligation Refunding Bonds in the amount of \$22,190,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2026, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2021, the principal balance outstanding on the 2012 General Obligation Refunding Bonds was \$3,050,000 and unamortized premium on issuance and deferred charges on refunding were \$59,408 and \$196,570, respectively.

2013 General Obligation Refunding Bonds

On May 1, 2013, the District issued the 2013 General Obligation Refunding Bonds in the amount of \$38,625,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2027, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2021, the principal balance outstanding on the 2013 General Obligation Refunding Bonds was \$9,040,000 and unamortized premium on issuance was \$575,111.

2016 General Obligation Refunding Bonds

On February 25, 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of \$19,010,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2036, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2021, the principal balance outstanding on the 2016 General Obligation Refunding Bonds was \$19,010,000 and unamortized premium on issuance was \$1,375,584.

2008 General Obligation Bonds, Series D

On August 2, 2016, the District issued the 2008 General Obligation Bonds, Series D in the amount of \$24,645,000. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2044, with interest rates ranging from 2.00 to 4.00%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2021, the principal balance outstanding on the 2008 General Obligation Bonds, Series D was \$22,445,000 and unamortized premium on issuance was \$1,740,861.

2016 General Obligation Refunding Bonds, Series B

On August 2, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series B in the amount of \$51,540,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2046, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2021, the principal balance outstanding on the 2016 General Obligation Refunding Bonds, Series B was \$49,060,000 and unamortized premium on issuance and deferred charges on refunding were \$6,488,763 and \$4,782,574, respectively.

2008 General Obligation Bonds, Series E

On October 14, 2020, the District issued the 2008 General Obligation Bonds, Series E in the amount of \$14,997,444. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$1,692,556, and an aggregate principal debt service balance of \$16,690,000. The bonds have a final maturity to occur on August 1, 2046, with interest rates ranging from 0.50 to 4.00%. The net proceeds of the issuance will be used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2021, the principal balance outstanding on the 2008 General Obligation Bonds, Series E was \$14,014,242 and unamortized premium on issuance was \$1,622,537.

2020 General Obligation Refunding Bonds

On October 14, 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of \$44,550,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2035, with interest rates ranging from 0.437 to 2.371%. The net proceeds of \$43,981,862, (representing the principal amount of \$44,550,000, less costs of issuance of \$568,138) were used to advance refund portions of the District's outstanding 2008 General Obligation Bonds Series B, 2012 General Obligation Refunding Bonds, and 2013 General Obligation Refunding Bonds, and to pay the costs of issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$2,195,022 over the life of the new debt and an economic gain of \$2,037,731, based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.05%. As of June 30, 2021, the principal balance outstanding on the 2020 General Obligation Refunding Bonds was \$44,550,000 and deferred charges on refunding was \$4,037,681.

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2022	\$ 14,540,000	\$ -	\$ 5,736,968	\$ 20,276,968
2023	7,590,000	-	5,224,196	12,814,196
2024	8,381,868	58,133	4,920,229	13,302,097
2025	8,915,899	159,101	4,690,151	13,606,050
2026	9,325,039	299,961	4,501,032	13,826,071
2027-2031	54,419,653	7,030,347	17,531,518	71,951,171
2032-2036	57,806,075	5,538,925	9,595,026	67,401,101
2037-2041	33,783,579	53,339,385	3,898,000	37,681,579
2042-2046	24,056,734	67,111,357	3,257,250	27,313,984
2047	17,095,000	-	87,675	17,182,675
Total	\$ 235,913,847	\$ 133,537,209	\$ 59,442,045	\$ 295,355,892

Financing Lease

On April 27, 2012, the District, pursuant to a lease/purchase agreement with the Colton Joint Unified School District Facilities Corporation, entered into a lease agreement with Alliance Bank of Arizona to advance funds of \$5,271,757. The net proceeds from the lease were used to refinance the District's outstanding 2001 Certificates of Participation. The lease agreement has a final maturity to occur on June 1, 2021, with an interest rate of 2.75%. At June 30, 2021, the outstanding principal balance has been paid in its entirety.

Building Acquisition Lease

On December 6, 2018, the Colton Joint Unified School District Facilities Corporation, pursuant to a lease/purchase agreement with the District, purchased a property for \$9,220,000. The lease agreement has a final maturity to occur on December 1, 2038, with an interest rate of 4.95% through February 28, 2021 and 3.75% thereafter. Under this agreement, the District's lease payments to the Corporation are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 267,440	\$ 240,182	\$ 507,622
2023	277,563	230,059	507,622
2024	288,069	219,553	507,622
2025	298,973	208,649	507,622
2026	310,289	197,332	507,621
2027-2031	1,736,769	801,340	2,538,109
2032-2036	2,091,309	446,800	2,538,109
2037-2039	1,200,680	68,374	1,269,054
Total	<u>\$ 6,471,092</u>	<u>\$ 2,412,289</u>	<u>\$ 8,883,381</u>

Site improvements included in the capital assets related to the lease purchase agreement at June 30, 2021 include the following:

Land (non-depreciable)	\$ 1,677,334
Buildings	<u>7,565,594</u>
Total capital asset cost	9,242,928 *
Less accumulated depreciation	<u>(378,280)</u>
Net value of capital assets	<u>\$ 8,864,648</u>

* The financed amount funded a portion of the total cost of the property. The remaining cost of the related capital assets was funded using other local sources.

Supplemental Early Retirement Plan (SERP)

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. Future payments for the SERP are as follows:

Year Ending June 30,	Payment
2022	\$ 2,882,959
2023	1,322,071
2024	1,322,071
2025	1,322,071
2026	1,322,071
Total	\$ 8,171,243

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2021, amounted to \$7,379,073, using a discount factor of 1.0%.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$2,668,332.

Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of \$8,715,000 as of June 30, 2021, does not represent debt of the District and, as such, does not appear in the financial statements.

Note 10 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 70,257,937	\$ 6,421,719	\$ 18,225,255	\$ 330,991
Medicare Premium Payment (MPP) Program	1,558,182	-	-	346,701
Total	<u>\$ 71,816,119</u>	<u>\$ 6,421,719</u>	<u>\$ 18,225,255</u>	<u>\$ 677,692</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At July 1, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	202
Active employees	2,074
Total	<u>2,276</u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Association of Colton Educators (ACE), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ACE, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the District paid \$3,132,772 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$70,257,937 was measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 %
Salary increases	3.00 %, average, including inflation
Investment rate of return	2.45 %, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.90 % for 2020, decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 and later years

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the CalSTRS Experience Analysis (2015-2018) for certificated employees and the CalPERS Experience Study (1997-2015) for classified employees.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2019.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2019	<u>\$ 63,917,362</u>
Service cost	4,262,009
Interest	2,085,364
Changes of assumptions or other inputs	3,125,974
Benefit payments	<u>(3,132,772)</u>
Net change in total OPEB liability	<u>6,340,575</u>
Balance, June 30, 2020	<u><u>\$ 70,257,937</u></u>

Changes of assumptions and other inputs reflect a change in the healthcare cost trend rate from 6.00% in 2019 to 5.90% in 2020.

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.45%)	\$ 74,942,934
Current discount rate (2.45%)	70,257,937
1% increase (3.45%)	65,683,282

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.90% for 2020, 4.00% ultimate, 3.00% at Medicare age)	\$ 61,683,010
Current healthcare cost trend rate (5.90% for 2020, 5.00% ultimate, 4.00% at Medicare age)	70,257,937
1% increase (6.90% for 2020, 6.00% ultimate, 5.00% at Medicare age)	80,473,150

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of 330,991. At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 3,059,696	\$ -
Differences between expected and actual experience	-	13,527,190
Changes of assumptions	3,362,023	4,698,065
Total	\$ 6,421,719	\$ 18,225,255

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (1,920,395)
2022	(1,920,395)
2023	(1,920,395)
2024	(1,667,078)
2025	(1,645,400)
Thereafter	(5,789,569)
Total	\$ (14,863,232)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

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

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$1,558,182 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.3677%, and 0.3724%, resulting in a net decrease in the proportionate share of 0.0047%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$346,701.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP 2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members’ age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.21%)	\$ 1,723,004
Current discount rate (2.21%)	1,558,182
1% increase (3.21%)	1,417,930

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

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

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 1,412,856
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,558,182
1% increase (5.50% Part A and 6.40% Part B)	1,725,478

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 75,000	\$ 25,000	\$ 100,000
Stores inventories	624,513	68,786	693,299
Prepaid expenditures	96,357	-	96,357
Total nonspendable	<u>795,870</u>	<u>93,786</u>	<u>889,656</u>
Restricted			
Educational programs	15,725,388	1,269,519	16,994,907
Food service	-	-	-
Capital projects	-	58,234,392	58,234,392
Debt service	-	25,114,698	25,114,698
Total restricted	<u>15,725,388</u>	<u>84,618,609</u>	<u>100,343,997</u>
Committed			
Vehicle and field replacement	2,600,000	-	2,600,000
Future facility needs	11,020,707	-	11,020,707
LCAP carryover	5,385,000	-	5,385,000
2020-2021 purchase order rollovers	5,350,000	-	5,350,000
Unrestricted lottery	4,815,168	-	4,815,168
Total committed	<u>29,170,875</u>	<u>-</u>	<u>29,170,875</u>
Assigned			
Deficit spending offset	6,145,126	-	6,145,126
Facility relocation costs	3,356,700	-	3,356,700
Early payoff of long-term debt	12,500,000	-	12,500,000
Deferred maintenance	825,092	-	825,092
Child development program	-	230,620	230,620
Capital projects	-	10,722,205	10,722,205
Total assigned	<u>22,826,918</u>	<u>10,952,825</u>	<u>33,779,743</u>
Unassigned			
Reserve for economic uncertainties	8,922,100	-	8,922,100
Total	<u>\$ 77,441,151</u>	<u>\$ 95,665,220</u>	<u>\$ 173,106,371</u>

Note 12 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Excess Liability Fund (SELF) public entity risk pools for property and liability insurance coverage.

Workers' Compensation

Since 1978, the District has self-insured itself for workers' compensation coverage, retaining risk of loss. Excess workers' compensation coverage is purchased through an insurance product that provides the required additional coverage. The District obtains excess coverage through California Schools Risk Management (CSRМ).

Employee Medical Benefits

The District has contracted with Southern California Employee Benefit Association (SCEBA) and California's Valued Trust (CVT) to provide employee medical benefits. The District provides benefits to District employees electing to participate in the plan by paying a premium based on the number of employees participating in the plan.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

	Workers' Compensation
Liability Balance, July 1, 2019	\$ 3,578,490
Claims and changes in estimates	2,987,247
Claims payments	461,951
Liability Balance, June 30, 2020	7,027,688
Claims and changes in estimates	449,441
Claims payments	(98,056)
Liability Balance, June 30, 2021	\$ 7,379,073
Assets available to pay claims at June 30, 2021	\$ 22,647,869

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 204,491,269	\$ 53,969,866	\$ 10,293,352	\$ 28,848,397
CalPERS	92,548,027	16,035,619	2,110,463	17,646,451
Total	\$ 297,039,296	\$ 70,005,485	\$ 12,403,815	\$ 46,494,848

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$18,704,496.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 204,491,269
State's proportionate share of the net pension liability	<u>105,415,274</u>
Total	<u><u>\$ 309,906,543</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.2110% and 0.2105%, resulting in a net increase in the proportionate share of 0.0005%.

Colton Joint Unified School District

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$28,848,397. In addition, the District recognized pension expense and revenue of \$14,767,645 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 18,704,496	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	10,106,207	4,526,347
Differences between projected and actual earnings on pension plan investments	4,857,535	-
Differences between expected and actual experience in the measurement of the total pension liability	360,833	5,767,005
Changes of assumptions	<u>19,940,795</u>	<u>-</u>
Total	<u>\$ 53,969,866</u>	<u>\$ 10,293,352</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (2,964,039)
2023	1,655,051
2024	3,302,012
2025	<u>2,864,511</u>
Total	<u>\$ 4,857,535</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 6,615,331
2023	6,872,064
2024	8,404,075
2025	(1,063,423)
2026	(683,263)
Thereafter	<u>(30,301)</u>
Total	<u>\$ 20,114,483</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 308,957,823
Current discount rate (7.10%)	204,491,269
1% increase (8.10%)	118,239,418

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$9,179,588.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$92,548,027. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.3016% and 0.2993%, resulting in a net increase in the proportionate share of 0.0023%.

For the year ended June 30, 2021, the District recognized pension expense of \$17,646,451. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,179,588	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	2,110,463
Differences between projected and actual earnings on pension plan investments	1,926,555	-
Differences between expected and actual experience in the measurement of the total pension liability	4,590,099	-
Changes of assumptions	339,377	-
	<u>\$ 16,035,619</u>	<u>\$ 2,110,463</u>
Total	<u>\$ 16,035,619</u>	<u>\$ 2,110,463</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (720,958)
2023	643,068
2024	1,117,758
2025	886,687
	<hr/>
Total	\$ 1,926,555
	<hr/> <hr/>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 2,262,232
2023	669,292
2024	(94,567)
2025	(17,944)
	<hr/>
Total	\$ 2,819,013
	<hr/> <hr/>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 133,054,665
Current discount rate (7.15%)	92,548,027
1% increase (8.15%)	58,929,550

Alternative Retirement Program

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security for employees who work more than four hours per day and the Accumulation Program for Part-Time and Limited-Service Employees (the APPLE program) for employees who work less than four hours per day. The District’s required and actual contributions to the APPLE program amounted to \$40,262 during the year ended June 30, 2021.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$11,929,881 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
CHS Baseball/Softball Fields Renovation	\$ 14,984	September, 2021
CMS MPR Modernization	73,237	October, 2021
850/900 Washington Phase 4	9,000	October, 2021
CHS MPR Modernization	1,788,510	November, 2021
BHS Auditorium Audio-Visual & Lighting	28,104	November, 2021
Crestmore ES ADA Upgrades	31,659	November, 2021
850/900 Washington Phase 3	131,034	December, 2021
BHS Parking Lot Expansion	14,528	December, 2021
CHS CTE Culinary Arts	361,255	January, 2022
CHS Auditorium Rigging	9,500	TBD
Total	\$ 2,461,811	

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), Schools Excess Liability Fund (SELF), California Schools Risk Management (CSRМ), Southern California Schools Employee Benefits Association (SCSEBA), and California’s Valued Trust (CVT) public entity risk pools. The District pays an annual premium to ASCIP and SELF for property and liability coverage. The District pays an annual premium to CSRМ for excess workers’ compensation. Payments for health benefit coverage are paid to SCSEBA and CVT. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2021, the District made payments of \$1,507,982 to ASCIP, \$242,829 to SELF, \$112,731 to CSRМ, \$32,384,428 to SCSEBA, and \$2,520,000 to CVT for property and liability, excess workers’ compensation, and health benefits coverage.

Note 16 - Correction of an Error of Prior Year Net Position and Fund Balances

Certain items that occurred in the prior year net position and fund balances have been restated as of June 30, 2020 to more accurately reflect the substance of the underlying transactions. The following table lists the reasons for the restatement:

	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2020	\$ 77,968,324	\$ 122,753,272
Correction for prior year revenues not recognized in the Non-Major Governmental Bond Interest and Redemption Fund	876,831	876,831
Fund Balance - Beginning as restated at July 1, 2020	\$ 78,845,155	\$ 123,630,103
Government-Wide Financial Statements		
Beginning Net Position previously reported at June 30, 2020		\$ 5,936,837
Correction for prior year revenues not recognized in the Non-Major Governmental Bond Interest and Redemption Fund		876,831
Net Position - Beginning as restated at July 1, 2020		\$ 6,813,668

The June 30, 2020 governmental change in net position and the change in fund balance for non-major governmental funds would increase by \$876,831 as a result of this change.

Note 17 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2020, the Colton Joint Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. Additionally, the District restated its custodial funds beginning net position that were previously reported as liabilities. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Student Activity Fund		
Beginning Fund Balance previously reported at June 30, 2020 (after prior period error correction identified in Note 16)	\$ 78,845,155	\$ 123,630,103
Reclassification of student activity from agency funds to a special revenue fund	706,472	706,472
Fund Balance - Beginning as restated at July 1, 2020	\$ 79,551,627	\$ 124,336,575
Custodial Funds		
Beginning Net Position previously reported at June 30, 2020		\$ -
Inclusion of beginning net position from the adoption of GASB Statement No. 84		4,965,824
Net Position - Beginning as restated at July 1, 2020		\$ 4,965,824
Government-Wide Financial Statements		
Beginning Net Position previously reported at June 30, 2020 (after prior period error correction identified in Note 16)		\$ 6,813,668
Reclassification of student activity from agency funds to a special revenue fund		706,472
Net Position - Beginning as restated at July 1, 2020		\$ 7,520,140



Required Supplementary Information
June 30, 2021

Colton Joint Unified School District

Colton Joint Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 228,614,973	\$ 228,629,497	\$ 231,083,457	\$ 2,453,960
Federal sources	45,333,085	47,906,266	51,547,690	3,641,424
Other State sources	22,569,365	32,118,052	33,093,012	974,960
Other local sources	11,464,638	11,817,807	14,396,248	2,578,441
Total revenues ¹	<u>307,982,061</u>	<u>320,471,622</u>	<u>330,120,407</u>	<u>9,648,785</u>
Expenditures				
Current				
Certificated salaries	114,114,682	121,871,467	121,075,763	795,704
Classified salaries	41,178,497	42,092,758	42,845,126	(752,368)
Employee benefits	72,288,025	76,101,841	75,168,352	933,489
Books and supplies	18,977,152	26,865,650	16,338,494	10,527,156
Services and operating expenditures	28,914,235	34,664,115	29,102,104	5,562,011
Other outgo	3,438,660	3,414,835	3,138,745	276,090
Capital outlay	1,377,819	4,952,410	3,743,351	1,209,059
Debt service				
Debt service - principal	803,526	803,526	833,971	(30,445)
Debt service - interest and other	368,544	368,544	420,008	(51,464)
Total expenditures ¹	<u>281,461,140</u>	<u>311,135,146</u>	<u>292,665,914</u>	<u>18,469,232</u>
Excess of Revenues Over Expenditures				
	<u>26,520,921</u>	<u>9,336,476</u>	<u>37,454,493</u>	<u>28,118,017</u>
Other Financing Uses				
Transfers out	<u>(6,790,564)</u>	<u>(7,532,272)</u>	<u>(4,798,290)</u>	<u>2,733,982</u>
Net Change in Fund Balances	19,730,357	1,804,204	32,656,203	30,851,999
Fund Balance - Beginning	<u>44,784,948</u>	<u>44,784,948</u>	<u>44,784,948</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 64,515,305</u>	<u>\$ 46,589,152</u>	<u>\$ 77,441,151</u>	<u>\$ 30,851,999</u>

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

Colton Joint Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 4,262,009	\$ 4,470,257	\$ 4,668,624	\$ 4,888,948
Interest	2,085,364	2,507,730	2,480,296	2,080,731
Difference between expected and actual experience	-	(16,673,048)	-	-
Changes of assumptions	3,125,974	(4,318,694)	906,151	(2,641,755)
Benefit payments	(3,132,772)	(3,475,735)	(2,444,552)	(2,563,737)
Net change in total OPEB liability	6,340,575	(17,489,490)	5,610,519	1,764,187
Total OPEB Liability - Beginning	63,917,362	81,406,852	75,796,333	74,032,146
Total OPEB Liability - Ending	<u>\$ 70,257,937</u>	<u>\$ 63,917,362</u>	<u>\$ 81,406,852</u>	<u>\$ 75,796,333</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Colton Joint Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.3677%	0.3724%	0.3796%	0.3885%
Proportionate share of the net OPEB liability	\$ 1,558,182	\$ 1,211,481	\$ 1,272,915	\$ 1,436,838
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Colton Joint Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CalSTRS				
Proportion of the net pension liability	0.2110%	0.2105%	0.2115%	0.2146%
Proportionate share of the net pension liability	\$ 204,491,269	\$ 190,102,590	\$ 194,360,212	\$ 198,446,468
State's proportionate share of the net pension liability	105,415,274	103,713,654	111,280,312	117,399,254
Total	<u>\$ 309,906,543</u>	<u>\$ 293,816,244</u>	<u>\$ 305,640,524</u>	<u>\$ 315,845,722</u>
Covered payroll	<u>\$ 116,124,965</u>	<u>\$ 113,990,633</u>	<u>\$ 113,178,184</u>	<u>\$ 112,876,176</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>176.10%</u>	<u>166.77%</u>	<u>171.73%</u>	<u>175.81%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.3016%	0.2993%	0.3028%	0.3058%
Proportionate share of the net pension liability	\$ 92,548,027	\$ 87,237,702	\$ 80,730,160	\$ 73,003,592
Covered payroll	<u>\$ 43,608,336</u>	<u>\$ 41,572,533</u>	<u>\$ 40,055,772</u>	<u>\$ 38,965,783</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>212.23%</u>	<u>209.84%</u>	<u>201.54%</u>	<u>187.35%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Colton Joint Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Proportion of the net pension liability	<u>0.2137%</u>	<u>0.2250%</u>	<u>0.1769%</u>
Proportionate share of the net pension liability	<u>\$ 172,845,053</u>	<u>\$ 151,324,885</u>	<u>\$ 103,371,864</u>
State's proportionate share of the net pension liability	<u>98,397,605</u>	<u>80,034,183</u>	<u>62,420,395</u>
Total	<u><u>\$ 271,242,658</u></u>	<u><u>\$ 231,359,068</u></u>	<u><u>\$ 165,792,259</u></u>
Covered payroll	<u>\$ 110,064,520</u>	<u>\$ 100,405,991</u>	<u>90,159,745</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>157.04%</u>	<u>150.71%</u>	<u>114.65%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	<u>0.3145%</u>	<u>0.3033%</u>	<u>0.2882%</u>
Proportionate share of the net pension liability	<u>\$ 62,106,696</u>	<u>\$ 44,709,448</u>	<u>\$ 32,721,211</u>
Covered payroll	<u>\$ 37,711,058</u>	<u>\$ 33,520,228</u>	<u>30,233,421</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>164.69%</u>	<u>133.38%</u>	<u>108.23%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

Colton Joint Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CalSTRS				
Contractually required contribution	\$ 18,704,496	\$ 19,857,369	\$ 18,557,675	\$ 16,331,612
Less contributions in relation to the contractually required contribution	<u>18,704,496</u>	<u>19,857,369</u>	<u>18,557,675</u>	<u>16,331,612</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 115,817,313</u>	<u>\$ 116,124,965</u>	<u>\$ 113,990,633</u>	<u>\$ 113,178,184</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
CalPERS				
Contractually required contribution	\$ 9,179,588	\$ 8,600,000	\$ 7,508,831	\$ 6,221,062
Less contributions in relation to the contractually required contribution	<u>9,179,588</u>	<u>8,600,000</u>	<u>7,508,831</u>	<u>6,221,062</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 44,345,836</u>	<u>\$ 43,608,336</u>	<u>\$ 41,572,533</u>	<u>\$ 40,055,772</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Colton Joint Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 14,199,823	\$ 11,809,923	\$ 8,916,052
Less contributions in relation to the contractually required contribution	<u>14,199,823</u>	<u>11,809,923</u>	<u>8,916,052</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 112,876,176</u>	<u>\$ 110,064,520</u>	<u>\$ 100,405,991</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 5,411,568	\$ 4,467,629	\$ 3,945,666
Less contributions in relation to the contractually required contribution	<u>5,411,568</u>	<u>4,467,629</u>	<u>3,945,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 38,965,783</u>	<u>\$ 37,711,058</u>	<u>\$ 33,520,228</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – The healthcare trend rate was changed from 6.00% to 5.90% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



Supplementary Information
June 30, 2021

Colton Joint Unified School District

Colton Joint Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 7,500,911
School Improvement Funding for LEAs	84.010	15438	<u>275,290</u>
Subtotal			<u>7,776,201</u>
Title II, Part A, Supporting Effective Instruction	84.367	14341	739,854
Title III, Immigrant Student Program	84.365	15146	24,389
Title III, English Learner Student Program	84.365	14346	<u>529,371</u>
Subtotal			<u>553,760</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	339,278
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	570,870
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	144,955
Adult Education: Adult Basic Education & ELA	84.002A	14508	49,746
Adult Education: Adult Secondary Education	84.002	13978	<u>51,272</u>
Subtotal			<u>101,018</u>
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	6,243,877
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	5,827,342
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	15535	293,043
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	<u>1,254,451</u>
Subtotal Education Stabilization Fund			<u>13,618,713</u>
Passed through East Valley Special Education Local Plan Area			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,052,874
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	42,907
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	101,549
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	238,077
Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>730</u>
Subtotal Special Education (IDEA) Cluster			<u>4,436,137</u>
Total U.S. Department of Education			<u>28,280,786</u>

[1] Direct funded program

Colton Joint Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through CDE			
Child Care Development Fund (CCDF) Cluster			
Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	15555	\$ 89,854
Subtotal Child Care Development Fund (CCDF) Cluster			89,854
Head Start Cluster			
Head Start	93.600	10016	1,186,924
Subtotal Head Start Cluster			1,186,924
Total U.S. Department of Health and Human Services			1,276,778
U.S. Department of Defense			
Reserve Officer Training Corps (ROTC)	12.357	[1]	106,889
Total U.S. Department of Defense			106,889
U.S. Department of Treasury			
Passed through CDE			
COVID-19 Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	21,422,902
Passed through San Bernardino County Superintendent of Schools (SBCSS)			
COVID-19 Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	2,131,173
Subtotal COVID-19 Coronavirus Relief Fund (CRF): Learning Loss Mitigation			23,554,075
Total U.S. Department of Treasury			23,554,075
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Program Cluster			
National School Lunch Program	10.555	13396	1,641,798
Especially Needy Breakfast Program	10.553	13526	1,023,344
Meal Supplements	10.556	13392	10,297
Commodities	10.555	13396	435,892
Subtotal - Child Nutrition Program Cluster			3,111,331
Child and Adult Care Food Program	10.558	13393	37,045
Child and Adult Care Food Program - Cash in Lieu	10.558	13389	2,585
Subtotal			39,630
Total U.S. Department of Agriculture			3,150,961
[1] Direct funded program			

ORGANIZATION

The Colton Joint Unified School District (the District) was established in 1966 and consists of an area comprising approximately 119 acres. The District operates eighteen elementary schools, four middle schools, two high schools, a continuation high school, an adult school, a school for alternative education, and child development centers. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Dan Flores	President	2022
Ms. Bertha Arreguin	Vice President	2024
Ms. Joanne E. Thoring-Ojeda	Clerk	2022
Mr. Israel Fuentes	Member	2022
Mr. Frank A. Ibarra	Member	2024
Ms. Berenice Sandoval	Member	2022
Ms. Patt Haro	Member	2024

ADMINISTRATION

Dr. Frank Miranda, Ed.D	Superintendent
Mr. Rick Jenson	Assistant Superintendent, Business Services Division
Mr. Darrick Garcia	Assistant Superintendent, Human Resources Division
Dr. Tina Petersen, Ed.D	Assistant Superintendent, Educational Services Division

Colton Joint Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 8					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied
Grades 9 - 12					
Grade 9	180	-	-	180	Complied
Grade 10	180	-	-	180	Complied
Grade 11	180	-	-	180	Complied
Grade 12	180	-	-	180	Complied

Colton Joint Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Colton Joint Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund ³				
Revenues	\$ 321,428,498	\$ 330,106,323	\$ 286,529,030	\$ 299,519,636
Expenditures	332,152,676	292,604,552	288,147,771	284,439,703
Other uses	(1,951,503)	4,798,290	8,283,349	4,656,207
Total expenditures and other uses	330,201,173	297,402,842	296,431,120	289,095,910
Increase/(Decrease) in Fund Balance	(8,772,675)	32,703,481	(9,902,090)	10,423,726
Ending Fund Balance	\$ 67,843,384	\$ 76,616,059	\$ 43,912,578	\$ 53,814,668
Available Reserves ^{2,4}	\$ 10,023,200	\$ 8,922,100	\$ 4,677,236	\$ 26,263,614
Available Reserves as a Percentage of Total Outgo ⁴	3.04%	3.00%	1.58%	9.08%
Long-Term Liabilities including OPEB and pension	N/A	\$ 642,183,900	\$ 593,234,634	\$ 610,010,963
K-12 Average Daily Attendance at P-2	20,339	20,339	20,339	20,947

The General Fund balance has increased by \$22,801,391 over the past two years. The fiscal year 2021-2022 budget projects decrease of \$8,772,675 (11.5%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$32,172,937 over the past two years.

Average daily attendance has decreased by 608 over the past two years. No change in ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of Fund 14, Deferred Maintenance Fund, as required by GASB Statement No. 54.

⁴ The fiscal year 2019-2020 available reserves percentage is the result of \$4,185,865 of CARES Act expenditures that were incurred with no corresponding recognition of revenue. With the exclusion of this accounting difference, reserves were calculated at three percent.

Colton Joint Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
Assets				
Deposits and investments	\$ 694,693	\$ 156,831	\$ 320,421	\$ 1,451,418
Receivables	-	100,199	327,234	468,426
Due from other funds	-	-	79,226	214,211
Stores inventories	-	-	-	68,786
Total assets	\$ 694,693	\$ 257,030	\$ 726,881	\$ 2,202,841
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 49,287	\$ 75,222	\$ 143,333
Due to other funds	-	9,003	157,713	1,852,962
Total liabilities	-	58,290	232,935	1,996,295
Fund Balances				
Nonspendable	-	-	-	93,786
Restricted	694,693	198,740	263,326	112,760
Assigned	-	-	230,620	-
Total fund balances	694,693	198,740	493,946	206,546
Total liabilities and fund balances	\$ 694,693	\$ 257,030	\$ 726,881	\$ 2,202,841

Colton Joint Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
Assets				
Deposits and investments	\$ 21,983,934	\$ 19,192,074	\$ 17,063,035	\$ 11,439,840
Receivables	99,492	87,231	73,444	56,246
Due from other funds	-	9,096	-	-
Stores inventories	-	-	-	-
Total assets	<u>\$ 22,083,426</u>	<u>\$ 19,288,401</u>	<u>\$ 17,136,479</u>	<u>\$ 11,496,086</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 20,702	\$ 185,169	\$ 4,800	\$ 773,881
Due to other funds	1,082	62,262	-	-
Total liabilities	<u>21,784</u>	<u>247,431</u>	<u>4,800</u>	<u>773,881</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	22,061,642	19,040,970	17,131,679	-
Assigned	-	-	-	10,722,205
Total fund balances	<u>22,061,642</u>	<u>19,040,970</u>	<u>17,131,679</u>	<u>10,722,205</u>
Total liabilities and fund balances	<u>\$ 22,083,426</u>	<u>\$ 19,288,401</u>	<u>\$ 17,136,479</u>	<u>\$ 11,496,086</u>

Colton Joint Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	<u>Capital Project Fund for Blended Component Units</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Deposits and investments	\$ 101	\$ 25,114,698	\$ 97,417,045
Receivables	-	-	1,212,272
Due from other funds	-	-	302,533
Stores inventories	-	-	68,786
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 101</u>	<u>\$ 25,114,698</u>	<u>\$ 99,000,636</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 1,252,394
Due to other funds	-	-	2,083,022
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>3,335,416</u>
Fund Balances			
Nonspendable	-	-	93,786
Restricted	101	25,114,698	84,618,609
Assigned	-	-	10,952,825
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>101</u>	<u>25,114,698</u>	<u>95,665,220</u>
Total liabilities and fund balances	<u>\$ 101</u>	<u>\$ 25,114,698</u>	<u>\$ 99,000,636</u>

Colton Joint Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
Revenues				
Federal sources	\$ -	\$ 101,018	\$ 1,276,777	\$ 3,444,004
Other State sources	-	675,721	2,044,501	276,344
Other local sources	150,470	19,356	76,583	103,594
Total revenues	150,470	796,095	3,397,861	3,823,942
Expenditures				
Current				
Instruction	-	156,851	2,512,946	-
Instruction-related activities				
Supervision of instruction	-	46,642	86	-
School site administration	-	228,551	572,318	-
Pupil services				
Food services	-	-	-	8,703,183
All other pupil services	-	340,835	240,972	-
Administration				
All other administration	-	-	116,012	-
Plant services	-	-	126,008	-
Ancillary services	162,249	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	162,249	772,879	3,568,342	8,703,183
Excess (Deficiency) of Revenues Over Expenditures	(11,779)	23,216	(170,481)	(4,879,241)
Other Financing Sources (Uses)				
Transfers in	-	-	554,226	2,500,000
Other sources - proceeds from issuance of refunding general obligation bonds	-	-	-	-
Other sources - proceeds from issuance of general obligation bonds	-	-	-	-
Other sources - premium on issuance of general obligations bonds	-	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-	-
Net Financing Sources (Uses)	-	-	554,226	2,500,000
Net Change in Fund Balances	(11,779)	23,216	383,745	(2,379,241)
Fund Balance - Beginning, as restated	706,472	175,524	110,201	2,585,787
Fund Balance - Ending	\$ 694,693	\$ 198,740	\$ 493,946	\$ 206,546

Colton Joint Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ -
Other State sources	-	141,000	5,619,055	-
Other local sources	349,354	4,372,200	304,310	297,102
Total revenues	349,354	4,513,200	5,923,365	297,102
Expenditures				
Current				
Instruction	-	-	-	-
Instruction-related activities				
Supervision of instruction	-	-	-	-
School site administration	-	-	-	-
Pupil services				
Food services	-	-	-	-
All other pupil services	-	-	-	-
Administration				
All other administration	-	85,556	-	-
Plant services	204,758	300,509	-	-
Ancillary services	-	-	-	-
Facility acquisition and construction	353,915	2,604,072	9,600	9,283,259
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	558,673	2,990,137	9,600	9,283,259
Excess (Deficiency) of Revenues Over Expenditures	(209,319)	1,523,063	5,913,765	(8,986,157)
Other Financing Sources (Uses)				
Transfers in	-	-	-	1,744,064
Other sources - proceeds from issuance of refunding general obligation bonds	-	-	-	-
Other sources - proceeds from issuance of general obligation bonds	14,997,444	-	-	-
Other sources - premium on issuance of general obligations bonds	-	-	-	-
Other uses - payment to refunded bond escrow agent	-	-	-	-
Net Financing Sources (Uses)	14,997,444	-	-	1,744,064
Net Change in Fund Balances	14,788,125	1,523,063	5,913,765	(7,242,093)
Fund Balance - Beginning, as restated	7,273,517	17,517,907	11,217,914	17,964,298
Fund Balance - Ending	\$ 22,061,642	\$ 19,040,970	\$ 17,131,679	\$ 10,722,205

Colton Joint Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues			
Federal sources	\$ -	\$ 571,041	\$ 5,392,840
Other State sources	-	83,313	8,839,934
Other local sources	-	14,170,320	19,843,289
	<u>-</u>	<u>14,170,320</u>	<u>19,843,289</u>
Total revenues	<u>-</u>	<u>14,824,674</u>	<u>34,076,063</u>
Expenditures			
Current			
Instruction	-	-	2,669,797
Instruction-related activities			
Supervision of instruction	-	-	46,728
School site administration	-	-	800,869
Pupil services			
Food services	-	-	8,703,183
All other pupil services	-	-	581,807
Administration			
All other administration	-	-	201,568
Plant services	-	-	631,275
Ancillary services	-	-	162,249
Facility acquisition and construction	-	-	12,250,846
Debt service			
Principal	-	7,515,000	7,515,000
Interest and other	-	6,450,458	6,450,458
	<u>-</u>	<u>13,965,458</u>	<u>40,013,780</u>
Total expenditures	<u>-</u>	<u>13,965,458</u>	<u>40,013,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>859,216</u>	<u>(5,937,717)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	4,798,290
Other sources - proceeds from issuance of refunding general obligation bonds	-	44,550,000	44,550,000
Other sources - proceeds from issuance of general obligation bonds	-	-	14,997,444
Other sources - premium on issuance of general obligations bonds	-	1,687,438	1,687,438
Other uses - payment to refunded bond escrow agent	-	(43,981,862)	(43,981,862)
	<u>-</u>	<u>2,255,576</u>	<u>22,051,310</u>
Net Financing Sources (Uses)	<u>-</u>	<u>2,255,576</u>	<u>22,051,310</u>
Net Change in Fund Balances	-	3,114,792	16,113,593
Fund Balance - Beginning, as restated	101	21,999,906	79,551,627
Fund Balance - Ending	<u>\$ 101</u>	<u>\$ 25,114,698</u>	<u>\$ 95,665,220</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Colton Joint Unified School District (the District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Colton Joint Unified School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Colton Joint Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. An insignificant balance of food commodities remains in inventory at year end.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of the Qualified School Construction Bonds – Interest Subsidy, which are not required to be reported on the Schedule of Expenditures of Federal Awards.

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 56,940,530
Qualified School Construction Bonds - Interest Subsidy	[1]	(571,041)
Total Federal Financial Assistance		\$ 56,369,489

[1] Federal Financial Assistance Listing/Federal CFDA Number not available

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2021

Colton Joint Unified School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
Colton Joint Unified School District
Colton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colton Joint Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Colton Joint Unified School District’s basic financial statements and have issued our report thereon dated January 25, 2022.

Emphasis of Matter – Correction of Error

As discussed in Note 16 to the financial statements, there were certain items that occurred in the prior year net position and fund balances that have been restated as of June 30, 2020 to reflect the substance of the underlying transactions more accurately. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 17 to the financial statements, Colton Joint Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colton Joint Unified School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Colton Joint Unified School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Colton Joint Unified School District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Colton Joint Unified School District in a separate letter dated January 25, 2022.

Colton Joint Unified School District's Response to Finding

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

Purpose of this Report

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



Rancho Cucamonga, California
January 25, 2022



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Governing Board
Colton Joint Unified School District
Colton, California

Report on Compliance for Each Major Federal Program

We have audited Colton Joint Unified School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Colton Joint Unified School District’s major federal programs for the year ended June 30, 2021. Colton Joint Unified School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Colton Joint Unified School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Colton Joint Unified School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Colton Joint Unified School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003. Our opinion on each federal program is not modified with respect to this matter.

Colton Joint Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Colton Joint Unified School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Colton Joint Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Colton Joint Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Colton Joint Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003 that we consider to be significant deficiencies.

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

Eide Bailly LLP

Rancho Cucamonga, California
January 25, 2022



Independent Auditor's Report on State Compliance

To the Governing Board
Colton Joint Unified School District
Colton, California

Report on State Compliance

We have audited Colton Joint Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Unmodified Opinion

In our opinion, Colton Joint Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 25, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Colton Joint Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
Child Nutrition Program Cluster	10.553, 10.555, 10.556
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
COVID-19 Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019
Dollar threshold used to distinguish between type A and type B programs	\$1,691,085
Auditee qualified as low-risk auditee?	No

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified
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The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

	Five Digit Code	AB 3627 Finding Type
	30000	Internal Control
2021-001	30000	

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all financial activity used in the preparation of the District's financial statements.

Condition

During the course of our engagement, we identified a significant misstatement of balances presented within the District's Statement of Net Position and Non-Major Governmental Funds, as reported on the 2019-2020 audited financial statements. The misstatement was caused by a difference between revenues recorded in the San Bernardino County Auditor-Controller-Treasurer/Tax Collector's accounting system (SAP) and the District's Non-Major Governmental Bond Interest and Redemption Fund.

As detailed in Note 16, a restatement due to the error resulted in a \$876,831 increase in both the District's net position and Non-Major Governmental Bond Interest and Redemption Fund ending fund balance, as reported on the 2019-2020 audited financial statements.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The conditions were identified through inquiry with District personnel and review of available District records related to prior period ending balances, as detailed in Note 16.

Effect

Due to the effect of the conditions identified, the District's prior period ending net position and Non-Major Governmental Bond Interest and Redemption Fund ending fund balance were both understated by \$876,831. The effect of this error resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Cause

The cause of the conditions identified appears to be a result of information provided to the San Bernardino County Superintendent of Schools (SBCSS) that was subsequently submitted to the District for inclusion in the year end closing process that was not complete and accurate.

Repeat Finding

No.

Recommendation

A thorough review of the District's financial activity should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan and Views of Responsible Officials

Although the District has no access to this fund for deposits, disbursements, or other financial activity, the District will review all back up documentation from SBCSS to ensure accuracy in the final reports.

The following findings represent significant deficiencies that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

	Five Digit Code	AB 3627 Finding Type
	50000	Federal Compliance
2021-002	50000	

Federal Program Affected

Title: Child Nutrition Cluster
CFDA: 10.553, 10.555, 10.556
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Agriculture (USDA)

Criteria or Specific Requirements

Title 7, Code of Federal Regulations, Part 210, Subpart B, Section 210.7(c) outlines various requirements deemed necessary for the accurate submission of monthly lunch count reimbursement claims. These include, but are not limited to, the correct recording and reporting of lunch and supplement counts onto submitted claims. Furthermore, as outlined in Title 7, Code of Federal Regulations, Part 210, Subpart B, Section 210.8(a), internal controls should be implemented to ensure that lunch counts reported on reimbursement claims are reviewed and verified prior to their submission.

Condition

Recording errors were identified based on the review of a sample of the District's meal reimbursement claim forms. Recording errors resulted in the District understating its reimbursable meals over a two-month period. The District reported 91,324 meals served under the National School Lunch Category. However, supporting documentation indicated that 93,633 meals were served, resulting in an understatement of 2,309 meals.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

The condition was identified as a result of the auditor's inquiry with the District's food services personnel and through review of supporting documents.

Effect

The District has not complied with requirements identified in Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.7(c) and Section 210.8(a). Noncompliance with both of these requirements directly resulted in the District's unintentional understatement of the number of meals claimed on monthly meal reimbursement forms.

Cause

The condition identified appears to have materialized primarily due to a lack of review procedures, which should be in place to ensure the accuracy of claims being submitted.

Repeat Finding

No.

Recommendation

The District should review the requirements stated in 7 CFR, Part 21, Subpart C, Section 217(c) and Section 218(a) and implement procedures to address the deficiency currently identified with the District's reporting process. The District should draft and adopt necessary procedures that would prevent and detect any future error in reimbursement claims. Specifically, the District should implement a review process which would involve management level personnel within the District's Business Services Department.

Corrective Action Plan and Views of Responsible Officials

The District will implement the following processes:

1. Site Numbers will be collected via a clicker counter or tally sheet. This information will be documented on paper and sent to the Claim Preparer to verify and ensure accuracy.
2. The data from the counters and Tally sheet will be entered into the back office Point of Sale software system instead of a spreadsheet.
3. Monthly reports will be generated when creating the claim and an Edit Check will include auditing daily participation numbers to ensure days have not been skipped.
4. The claim will be entered in CNIPS following standard "Meal Counting & Collecting Procedures" as approved by the State.

2021-003 50000

Federal Program Affected

Title: COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund
CFDA: 84.425D

Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Title: COVID-19 Governor's Emergency Education Relief (GEER) Fund

CFDA: 84.425C

Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 34, Code of Federal Regulations, Part 200, Subpart A, Section 200.63(a), local education agencies (LEAs) must provide timely and meaningful consultations with appropriate officials of private schools regarding the opportunity for eligible private school children to participate in Title I programs. Section 18005(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act extended this requirement to the ESSER I and GEER I programs. LEAs must be able to demonstrate that eligible private schools were contacted and notified of the opportunity to participate in the ESSER I and GEER I programs.

Condition

Through inquiry with District personnel, it appears that records were not maintained to demonstrate that all private schools had been contacted and notified of the opportunity to participate in the ESSER I and GEER I programs for the 2020-2021 school year.

Questioned Costs

There were no questioned costs identified.

Context

The condition was identified as a result of the auditor's inquiry with District personnel.

Effect

The District was not in compliance with Section 18005(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Cause

The condition identified appears to have materialized due to private school correspondence records not being maintained by the District for certain private schools for the 2020-2021 school year.

Repeat Finding

No.

Recommendation

It is recommended that the District maintain private school correspondence records, minutes from meetings with private school representatives, and written affirmations from private school officials to demonstrate compliance with provisions under Section 18005(a) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Corrective Action Plan and Views of Responsible Officials

The District will implement the following processes to communicate with private schools to ensure that the schools receive notifications:

1. Email private schools
2. Follow up with phone calls
3. Send a certified letter(s) and keep proof on file
4. Once there is contact and agreement on a meeting(s), provide an agenda for the affirmation meeting and provide a signed copy to the private schools

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Management
Colton Joint Unified School District
Colton, California

In planning and performing our audit of the financial statements of Colton Joint Unified School District (the District) for the year ended June 30, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 25, 2022, on the government-wide financial statements of the District.

Associated Student Body (ASB)

Bloomington High School

Observations

1. Based on the review of the disbursement procedures, it was noted that one of the 12 disbursements tested was not approved prior to transaction taking place. This could potentially lead to spending in excess of available funds.
2. Based on the review of the disbursement procedures, it was noted that seven of 12 tested did not contain explicit receiving documentation to indicate that goods have been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

We will review the status of the current year comments during our next audit engagement.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 25, 2022