

**COLTON JOINT UNIFIED  
SCHOOL DISTRICT  
SAN BERNARDINO COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2019**



# COLTON JOINT UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2019

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
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, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colton Joint Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 70 to 76, including the schedule of expenditures of federal awards on page 74 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 69 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
December 2, 2019

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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This discussion and analysis of Colton Joint Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by about \$18 million primarily from receipt of state bond funds.
- Governmental expenses were more than \$304 million. Revenues were over \$322 million.
- The District acquired over \$22.5 million in new capital assets during the year. These expenditures were incurred primarily from capital outlays.
- The District increased its outstanding long-term debt by \$7.2 million. This was primarily due to the financed purchase of a property.
- Grades K-12 average daily attendance (ADA) decreased by 505, or 2.4%.
- Governmental funds increased by \$27 million, or 28.2%.
- Reserves for the General Fund increased by \$11.6 million, or 78.6%.

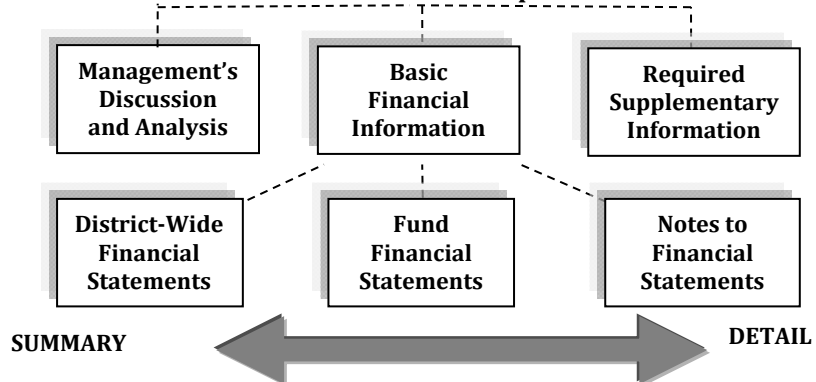
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**Figure A-1. Organization of Colton Joint Unified School District's Annual Financial Report**





**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

## COLTON JOINT UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2019*

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### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

#### District-Wide Statements

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

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

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

#### Fund Financial Statements

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

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

The District has three kinds of funds:

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Fund Financial Statements (continued)**

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2019, than it was the year before – increasing by \$18.0 million (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2019</b>	<b>2018</b>	
<b>Assets</b>			
Current assets	\$ 178,303,647	\$ 146,484,718	\$ 31,818,929
Capital assets	405,062,300	393,830,238	11,232,062
<b>Total assets</b>	<u>583,365,947</u>	<u>540,314,956</u>	<u>43,050,991</u>
<b>Deferred outflows of resources</b>	<u>93,104,514</u>	<u>104,056,520</u>	<u>(10,952,006)</u>
<b>Liabilities</b>			
Current liabilities	38,438,955	35,487,837	2,951,118
Long-term liabilities	334,920,591	327,748,039	7,172,552
Net pension liability	275,090,372	271,450,060	3,640,312
<b>Total liabilities</b>	<u>648,449,918</u>	<u>634,685,936</u>	<u>13,763,982</u>
<b>Deferred inflows of resources</b>	<u>12,225,272</u>	<u>11,885,806</u>	<u>339,466</u>
<b>Net position</b>			
Net investment in capital assets	193,107,709	194,942,621	(1,834,912)
Restricted	68,688,585	46,846,181	21,842,404
Unrestricted	(246,001,023)	(243,989,068)	(2,011,955)
<b>Total net position</b>	<u>\$ 15,795,271</u>	<u>\$ (2,200,266)</u>	<u>\$ 17,995,537</u>

**Changes in net position, governmental activities.** The District's total revenues increased 10.7% to \$322.6 million (See Table A-2). The increase is due primarily to capital grants and contributions.

The total cost of all programs and services decreased 2.9% to \$304.6 million. The District's expenses are predominantly related to educating and caring for students, 76.7%. The purely administrative activities of the District accounted for just 6.0% of total costs. A significant contributor to the decrease in costs was instruction related expenses.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended June 30, 2019

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2019</b>	<b>2018</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 3,019,657	\$ 1,632,986	\$ 1,386,671
Operating grants and contributions	37,674,406	45,726,454	(8,052,048)
Capital grants and contributions	21,001,092	12	21,001,080
General Revenues:			
Federal and state aid not restricted	213,997,825	205,997,707	8,000,118
Property taxes	45,043,214	36,638,113	8,405,101
Other general revenues	1,894,316	1,554,598	339,718
<b>Total Revenues</b>	<b>322,630,510</b>	<b>291,549,870</b>	<b>31,080,640</b>
<b>Expenses</b>			
Instruction-related	189,285,582	203,602,963	(14,317,381)
Pupil services	44,309,155	41,379,669	2,929,486
Administration	18,399,026	17,424,839	974,187
Plant services	32,838,074	33,369,931	(531,857)
All other activities	19,803,136	17,963,242	1,839,894
<b>Total Expenses</b>	<b>304,634,973</b>	<b>313,740,644</b>	<b>(9,105,671)</b>
Increase (decrease) in net position	\$ 17,995,537	\$ (22,190,774)	\$ 40,186,311
<b>Net Position</b>	<b>\$ 15,795,271</b>	<b>\$ (2,200,266)</b>	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$122.7 million, which is above last year's ending fund balance of \$95.7 million. The primary cause of the increased fund balance is receipt of funds from the state for capital projects.

**Table A-3: The District's Fund Balances**

<b>Fund</b>	<b>Fund Balances</b>				
	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
General Fund	\$ 43,390,942	\$ 292,470,021	\$ 284,439,703	\$ 2,393,408	\$ 53,814,668
Adult Education Fund	351,724	699,870	909,052	2,141	144,683
Child Development Fund	176,417	3,155,229	3,416,327	119,052	34,371
Cafeteria Fund	1,170,675	13,094,144	13,075,286	108,014	1,297,547
Deferred Maintenance Fund	847,335	1,735,286	1,071,669	-	1,510,952
Building Fund	13,551,917	241,568	5,609,578	-	8,183,907
Capital Facilities Fund	13,205,608	4,267,621	3,443,265	-	14,029,964
County School Facilities Fund	992	21,001,092	-	(18,155,890)	2,846,194
Special Reserve Fund (Capital Outlay)	2,181,421	121,929	2,150,747	20,163,940	20,316,543
Capital Outlay Fund for Blended Component Units	101	-	101	-	-
Bond Interest and Redemption Fund	20,843,593	12,941,414	13,000,996	(230,844)	20,553,167
	<b>\$ 95,720,725</b>	<b>\$ 349,728,174</b>	<b>\$ 327,116,724</b>	<b>\$ 4,399,821</b>	<b>\$ 122,731,996</b>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**General Fund Budgetary Highlights**

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

- Revenues – increased by \$14.0 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$12.9 million attributable to budgeted STRS on-behalf.
- Other non-personnel expenses – decreased \$6.4 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$4.7 million, the actual results for the year show that revenues exceeded expenditures by roughly \$8.0 million. Actual revenues were \$7.2 million more than anticipated, and expenditures were \$3.9 million less than budgeted. That excess amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2018-19 the District had invested \$22.6 million in new capital assets, related to various modernization projects. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$11.1 million.

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

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>
Land	\$ 40,941,444	\$ 39,264,110	\$ 1,677,334.0
Improvement of sites	196,228,047	164,826,013	31,402,034
Buildings	130,157,639	122,250,854	7,906,785
Equipment	6,522,931	6,304,452	218,479
Construction in progress	31,212,239	61,184,809	(29,972,570)
<b>Total</b>	<b>\$ 405,062,300</b>	<b>\$ 393,830,238</b>	<b>\$ 11,232,062</b>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had \$334.9 million in general obligation bonds, capital and financing leases, claims liabilities, and post employment benefits - an increase of 2.2% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
General obligation bonds	\$ 234,153,088	\$ 237,382,329	\$ (3,229,241)
Financing lease	1,188,371	1,758,651	(570,280)
Building acquisition lease	6,920,217	-	6,920,217
Supplemental early retirement	4,682,665	6,243,553	(1,560,888)
Compensated absences	1,717,993	1,551,845	166,148
Other postemployment benefits	82,679,767	77,233,171	5,446,596
Claims Liability	3,578,490	3,578,490	-
Total	<u>\$ 334,920,591</u>	<u>\$ 327,748,039</u>	<u>\$ 7,172,552</u>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

**Major Features of the 2019-20 Spending Plan**

***Makes \$5.9 Billion in Additional Unfunded Liability Payments***

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

## **COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2019*

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### **FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

#### **K-14 Education**

##### ***Provides a Few Notable Ongoing Proposition 98 Augmentations***

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

##### ***Pays a Portion of Districts' Pension Costs for the Next Two Years***

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

All of these factors were considered in preparing the Colton Joint Unified School District budget for the 2019-20 fiscal year.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Frank Miranda, Assistant Superintendent, Business Services Division, at Colton Joint Unified School District, 1212 Valencia Drive, Colton, California, 92324 or e-mail at Frank\_Miranda@cjusd.net.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position*  
*June 30, 2019*

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	Total Governmental Activities
<b>ASSETS</b>	
Cash	\$ 161,712,908
Investments	132,859
Accounts receivable	15,722,976
Inventories	464,432
Prepaid expenses	270,472
Non-depreciable assets	72,153,683
Depreciable assets	493,484,503
Less accumulated depreciation	<u>(160,575,886)</u>
Total assets	<u>583,365,947</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	5,685,448
Deferred outflows from pensions	83,161,310
Deferred outflows from OPEB	<u>4,257,756</u>
Total deferred outflows of resources	<u>93,104,514</u>
<b>LIABILITIES</b>	
Accounts payable	38,118,855
Unearned revenue	320,100
Long-term liabilities other than pensions:	
Portion due or payable within one year	9,980,756
Portion due or payable after one year	324,939,835
Net pension liability	<u>275,090,372</u>
Total liabilities	<u>648,449,918</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pensions	10,307,285
Deferred inflows from OPEB	<u>1,917,987</u>
Total deferred inflows of resources	<u>12,225,272</u>
<b>NET POSITION</b>	
Net investment in capital assets	193,107,709
Restricted for:	
Capital projects	37,192,701
Debt service	20,553,167
Educational programs	10,942,717
Unrestricted	<u>(246,001,023)</u>
Total net position	<u>\$ 15,795,271</u>



**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2019*

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Instructional Services:					
Instruction	\$ 160,936,527	\$ 1,405	\$ 14,010,228	\$ 21,001,092	\$ (125,923,802)
Instruction-Related Services:					
Supervision of instruction	8,763,998	-	4,917,427	-	(3,846,571)
Instructional library, media and technology	2,893,251	-	81,625	-	(2,811,626)
School site administration	16,691,806	641	155,086	-	(16,536,079)
Pupil Support Services:					
Home-to-school transportation	6,156,964	-	-	-	(6,156,964)
Food services	14,730,651	469,328	12,392,531	-	(1,868,792)
All other pupil services	23,421,540	-	4,172,157	-	(19,249,383)
General Administration Services:					
Data processing services	6,062,854	-	-	-	(6,062,854)
Other general administration	12,336,172	2,476	1,015,407	-	(11,318,289)
Plant Services	32,838,074	1,176,180	185,428	-	(31,476,466)
Ancillary Services	2,650,596	-	(41,175)	-	(2,691,771)
Community Services	164,931	-	-	-	(164,931)
Enterprise Activities	4,021,966	-	-	-	(4,021,966)
Interest on Long-term Debt	10,189,819	-	-	-	(10,189,819)
Other Outgo	2,775,824	1,369,627	785,692	-	(620,505)
Total Governmental Activities	\$ 304,634,973	\$ 3,019,657	\$ 37,674,406	\$ 21,001,092	(242,939,818)
<b>General Revenues:</b>					
Property taxes					45,043,214
Federal and state aid not restricted to specific purpose					213,997,825
Interest and investment earnings					880,995
Miscellaneous					1,013,321
Total general revenues					260,935,355
Change in net position					17,995,537
Net position - July 1, 2018					(2,200,266)
Net position - June 30, 2019					\$ 15,795,271

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2019*

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 70,210,995	\$ 20,297,329	\$ 20,553,167	\$ 27,788,748	\$ 138,850,239
Investments	132,859	-	-	-	132,859
Accounts receivable	13,164,955	36,884	-	2,375,603	15,577,442
Due from other funds	2,574,871	-	-	212,167	2,787,038
Inventories	441,317	-	-	23,115	464,432
Prepaid expenditures	270,472	-	-	-	270,472
Total Assets	<u>\$ 86,795,469</u>	<u>\$ 20,334,213</u>	<u>\$ 20,553,167</u>	<u>\$ 30,399,633</u>	<u>\$ 158,082,482</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 27,891,154	\$ 17,670	\$ -	\$ 1,646,763	\$ 29,555,587
Due to other funds	3,258,595	-	-	2,216,204	5,474,799
Unearned revenue	320,100	-	-	-	320,100
Total Liabilities	<u>31,469,849</u>	<u>17,670</u>	<u>-</u>	<u>3,862,967</u>	<u>35,350,486</u>
<b>Fund Balances</b>					
Nonspendable	761,789	-	-	48,115	809,904
Restricted	9,466,116	20,316,543	20,553,167	26,488,551	76,824,377
Assigned	18,834,101	-	-	-	18,834,101
Unassigned	26,263,614	-	-	-	26,263,614
Total Fund Balances	<u>55,325,620</u>	<u>20,316,543</u>	<u>20,553,167</u>	<u>26,536,666</u>	<u>122,731,996</u>
Total Liabilities and Fund Balances	<u>\$ 86,795,469</u>	<u>\$ 20,334,213</u>	<u>\$ 20,553,167</u>	<u>\$ 30,399,633</u>	<u>\$ 158,082,482</u>

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

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**Total fund balances - governmental funds** \$ 122,731,996

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets at historical cost:	565,638,186	
Accumulated depreciation:	<u>(160,575,886)</u>	
Net:		405,062,300

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:

5,685,448

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

(2,681,277)

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:

General obligation bonds payable	234,153,088	
Financing lease	1,188,371	
Building acquisition lease	6,920,217	
Supplemental early retirement plan	4,682,665	
Compensated absences	1,717,993	
Other postemployment benefits payable	<u>82,679,767</u>	
Total		(331,342,101)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.

(275,090,372)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	83,161,310	
Deferred inflows of resources relating to pensions	<u>(10,307,285)</u>	
Net:		72,854,025

In governmental funds, deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred outflows of resources relating to OPEB	4,257,756	
Deferred inflows of resources relating to OPEB	<u>(1,917,987)</u>	
Net:		2,339,769

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is:

16,235,483

**Total net position - governmental activities**

\$ 15,795,271

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*The notes to financial statements are an integral part of this statement.*

## COLTON JOINT UNIFIED SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2019

	General Fund	Special Reserve Fund for Capital Outlay	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 234,973,616	\$ -	\$ -	\$ -	\$ 234,973,616
Federal sources	14,470,455	-	-	12,679,524	27,149,979
Other state sources	34,255,224	121,929	92,396	24,609,115	59,078,664
Other local sources	10,506,012	-	12,849,018	5,170,885	28,525,915
Total Revenues	294,205,307	121,929	12,941,414	42,459,524	349,728,174
<b>EXPENDITURES</b>					
Current:					
Instructional Services:					
Instruction	162,743,257	-	-	2,751,446	165,494,703
Instruction-Related Services:					
Supervision of instruction	9,250,068	-	-	64,737	9,314,805
Instructional library, media and technology	2,649,901	-	-	-	2,649,901
School site administration	16,205,395	-	-	715,069	16,920,464
Pupil Support Services:					
Home-to-school transportation	5,709,407	-	-	-	5,709,407
Food services	26,781	-	-	13,121,063	13,147,844
All other pupil services	23,252,237	-	-	546,538	23,798,775
Ancillary Services	2,277,867	-	-	23,622	2,301,489
Community Services	164,931	-	-	-	164,931
General Administration Services:					
Data processing services	5,783,371	-	-	-	5,783,371
Other general administration	11,546,103	-	-	-	11,546,103
Plant Services	36,564,509	-	-	442,537	37,007,046
Transfers of Indirect Costs	(55,982)	-	-	55,982	-
Capital Outlay	5,724,450	2,150,747	-	8,732,615	16,607,812
Intergovernmental Transfers	2,775,824	-	-	-	2,775,824
Debt Service:					
Principal	699,678	-	5,693,634	-	6,393,312
Interest	193,575	-	7,307,362	-	7,500,937
Total Expenditures	285,511,372	2,150,747	13,000,996	26,453,609	327,116,724
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,693,935	(2,028,818)	(59,582)	16,005,915	22,611,450
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	20,155,890	-	229,207	20,385,097
Interfund transfers out	(4,656,207)	-	-	(18,155,890)	(22,812,097)
Proceeds from capital leases	7,049,615	-	-	-	7,049,615
Other financing sources (uses)	-	8,050	(230,844)	-	(222,794)
Total Other Financing Sources and Uses	2,393,408	20,163,940	(230,844)	(17,926,683)	4,399,821
Net Change in Fund Balances	11,087,343	18,135,122	(290,426)	(1,920,768)	27,011,271
Fund Balances, July 1, 2018	44,238,277	2,181,421	20,843,593	28,457,434	95,720,725
Fund Balances, June 30, 2019	\$ 55,325,620	\$ 20,316,543	\$ 20,553,167	\$ 26,536,666	\$ 122,731,996

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2019

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**Total net change in fund balances - governmental funds** \$ 27,011,271

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	22,593,875	
Depreciation expense	<u>(11,115,718)</u>	
Net:		11,478,157

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(246,095)

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

(293,060)

In governmental funds, proceeds from financed purchases are recognized as other funding sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:

(7,049,615)

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

6,393,312

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

(3,271,508)

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

80,056

In governmental funds, accreted interest is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest accrued during the year and accreted interest paid is:

(3,605,740)

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

1,141,347

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

(166,148)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, including early retirement incentives. This year, expenses incurred for such obligations were:

1,560,888

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

(16,813,812)

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.

1,776,484

**Change in net position of governmental activities** \$ 17,995,537

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2019*

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	Governmental Activities Internal Service Fund
<b>ASSETS</b>	
Cash	\$ 22,862,669
Receivables from other funds	3,189,051
Other receivables	<u>145,534</u>
Total assets	<u>26,197,254</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	5,881,991
Payables to other funds	501,290
Non-current liabilities:	
Estimated claims and IBNR liability	<u>3,578,490</u>
Total liabilities	<u>9,961,771</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 16,235,483</u></u>

**COLTON JOINT UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2019*

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	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES</b>	
Charges to other funds	\$ 3,296,758
Other state sources	16,836
Other local revenues	486,334
Total operating revenues	<u>3,799,928</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	2,475,308
Materials and supplies	27,285
Services and other operating expenses	2,414,255
Total operating expenses	<u>4,916,848</u>
Operating income (loss)	<u>(1,116,920)</u>
<b>NON-OPERATING REVENUES</b>	
Interest income	466,404
Interfund transfers in	2,427,000
Total non-operating revenues	<u>2,893,404</u>
Change in net position	1,776,484
Net position, July 1, 2018	<u>14,458,999</u>
Net position, June 30, 2019	<u><u>\$ 16,235,483</u></u>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2019*

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	<b>Governmental Activities Internal Service Fund</b>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Received from in-district premiums	\$ 365,593
Payments to employees and fringe benefits	(2,047,728)
Payments to vendors and suppliers	109,259
Payments on insurance claims	(2,414,255)
Other receipts (payments)	503,013
Net cash provided (used) by operating activities	<u>(3,484,118)</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Investment income	<u>466,404</u>
<b><i>CASH FLOWS FROM NON-OPERATING ACTIVITIES</i></b>	
Interfund transfers in	<u>2,427,000</u>
Net increase (decrease) in cash and cash equivalents	(590,714)
Cash and cash equivalents, July 1, 2018	23,453,383
Cash and cash equivalents, June 30, 2019	<u>\$ 22,862,669</u>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i></b>	
Operating income (loss)	<u>\$ (1,116,920)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Receivables, net	(157)
Due from other funds	(2,931,165)
Accounts payable and accrued liabilities	136,544
Due to other funds	427,580
Total adjustments	<u>(2,367,198)</u>
Net cash provided (used) by operating activities	<u>\$ (3,484,118)</u>



**COLTON JOINT UNIFIED SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2019*

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	Agency Funds		
	Debt Service Fund for Blended Component Units	Student Body Funds	Total
<b>Assets</b>			
Cash	\$ 3,908,681	\$ 723,598	\$ 4,632,279
Investments	841,530	-	841,530
Inventories	-	8,006	8,006
<b>Total Assets</b>	<b>\$ 4,750,211</b>	<b>\$ 731,604</b>	<b>\$ 5,481,815</b>
<b>Liabilities</b>			
Due to bondholders	\$ 4,750,211	\$ -	\$ 4,750,211
Due to student groups	-	731,604	731,604
<b>Total Liabilities</b>	<b>\$ 4,750,211</b>	<b>\$ 731,604</b>	<b>\$ 5,481,815</b>

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

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

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

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

The 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. Financing leases and certificates of participation executed and delivered by the Corporation are included as long-term liabilities in the government-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 the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations 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.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### Fund Financial Statements

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

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

###### Major Governmental Funds

The District reports the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Deferred Maintenance Fund which does not currently meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 1. Basis of Presentation (continued)

##### Major Governmental Funds (continued)

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

##### Non-Major Governmental Funds

The District reports the following non-major governmental funds:

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

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

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

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

**County School Facilities Fund:** This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

# COLTON JOINT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### Non-Major Governmental Funds (continued)

##### Capital Projects Funds (continued):

**Capital Projects Fund for Blended Component Units:** This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

##### Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

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

##### Fiduciary Funds

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

**Debt Service Fund for Blended Component Units:** This fund is used to account for the accumulation of resources for, and the repayment, of Community Facility District bonds, interest and related costs.

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

## 2. Measurement Focus, Basis of Accounting

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

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

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2. Measurement Focus, Basis of Accounting (continued)

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

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

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

#### 3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

#### D. Encumbrances

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

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

##### 1. Cash and Cash Equivalents

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

##### 2. Inventories and Prepaid Items

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

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

##### 3. Capital Assets

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

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

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

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

##### 5. Deferred Outflows/Inflows of Resources

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

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

##### 6. Compensated Absences

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

##### 7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.



# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 8. Pensions

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

##### 9. Fund Balances

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

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

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

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

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

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

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 10. Net Position

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

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

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

#### F. Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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.

#### G. Property Tax Calendar

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

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Use of Estimates

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

#### I. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### I. New GASB Pronouncements (continued)

2. (continued)

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

#### J. Future Accounting Pronouncements

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

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

## COLTON JOINT UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### J. Future Accounting Pronouncements (continued)

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### J. Future Accounting Pronouncements (continued)

4. (continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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

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

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

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2019, are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 138,770,239	\$ 22,787,669	\$ 161,557,908	\$ 3,908,681
Deposits:				
Cash on hand and in banks	5,000	-	5,000	723,598
Cash in revolving fund	75,000	-	75,000	-
Cash with fiscal agent	-	75,000	75,000	-
Total Deposits	80,000	75,000	155,000	723,598
Total Cash	\$ 138,850,239	\$ 22,862,669	\$ 161,712,908	\$ 4,632,279
Investments:				
U.S. Bank - Money Market	\$ -	\$ -	\$ -	\$ 841,530
Local Agency Investment Fund (LAIF)	132,859	-	132,859	-
Total Investments	\$ 132,859	\$ -	\$ 132,859	\$ 841,530

**Pooled Funds**

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 2 – CASH AND INVESTMENTS (continued)

#### Custodial Credit Risk – Deposits (continued)

As of June 30, 2019, \$913,343 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

#### Investments - Interest Rate Risk

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

Maturities of investments held at June 30, 2019, consisted of the following:

	Fair Value	Maturity		Fair Value Measurement
		Less Than One Year	One Year Through Five Years	
Investment maturities:				
U.S. Bank - Money Market	\$ 841,530	\$ 841,530	\$ -	Level 2
Local Agency Investment Fund (LAIF)	132,859	132,859	-	Level 2
Total Investments	<u>\$ 974,389</u>	<u>\$ 974,389</u>	<u>\$ -</u>	

#### Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2019, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

#### Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the District had the following investment that represented more than five percent of the District's net investments.

U.S. Bank - Money Market	86%
Local Agency Investment Fund	14%



**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2019

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Fair Value Measurements**

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

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

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

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

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

All assets have been valued using a market approach, with quoted market prices.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2019, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:					
Categorical aid programs	\$ 5,353,762	\$ -	\$ 1,634,614	\$ 6,988,376	\$ -
State Government:					
Lottery	1,070,743	-	-	1,070,743	-
Special education	323,634	-	-	323,634	-
Categorical aid programs	4,711,500	-	485,200	5,196,700	-
Local:					
Interest	307,285	36,884	228,883	573,052	145,534
Special education	961,851	-	-	961,851	-
Other local	436,180	-	26,906	463,086	-
<b>Total</b>	<b>\$ 13,164,955</b>	<b>\$ 36,884</b>	<b>\$ 2,375,603</b>	<b>\$ 15,577,442</b>	<b>\$ 145,534</b>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2019, consisted of the following:

	Due From Other Funds				Total
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund	
General Fund	\$ -	\$ 212,167	\$ 212,167	\$ 3,046,428	\$ 3,258,595
Non-Major Governmental Funds	2,073,581	-	2,073,581	142,623	2,216,204
Proprietary Fund	501,290	-	501,290	-	501,290
<b>Total</b>	<b>\$ 2,574,871</b>	<b>\$ 212,167</b>	<b>\$ 2,787,038</b>	<b>\$ 3,189,051</b>	<b>\$ 5,976,089</b>

Due to General Fund from Cafeteria Fund for benefits and temporary loan	1,644,679
Due to General Fund from Self-Insurance Fund for benefits	501,290
Due to General Fund from Adult Education Fund for benefits and indirect costs	9,927
Due to General Fund from Child Development Fund for indirect costs and personal activity report adjustments	415,363
Due to General Fund from Building Fund for projects	3,612
Due to Child Development Fund from General Fund for personnel activity report adjustments	104,153
Due to Cafeteria Fund from General Fund for lunches	108,014
Due to Self-Insurance Fund from General Fund for benefits	3,046,428
Due to Self-Insurance Fund from Cafeteria Fund for benefits	89,457
Due to Self-Insurance Fund from Building Fund for benefits	1,014
Due to Self-Insurance Fund from Child Development Fund for benefits	41,235
Due to Self-Insurance Fund from Adult Education Fund for benefits	10,917
<b>Total</b>	<b>\$ 5,976,089</b>

**B. Transfers To/From Other Funds**

Transfers to/from other funds for the fiscal year ended June 30, 2019, consisted of the following:

Transfer from the General Fund to the Cafeteria Fund for payments of unpaid lunch balances	\$ 108,014
Transfer from the General Fund to the Adult Education Fund to cover costs in excess of allocation	2,141
Transfer from the General Fund to the Self-Insurance Fund for OPEB expenses	2,427,000
Transfer from the General Fund to the Child Development Fund to cover the costs of compensation study adjustments	119,052
Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for building purchase	2,000,000
Transfer from School Facility Fund to the Special Reserve for Capital Outlay Fund for reimbursement of local (not state) funds used for capital building projects	18,155,890
<b>Total</b>	<b>\$ 22,812,097</b>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

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**NOTE 5 – FUND BALANCES**

At June 30, 2019, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Special Reserve For Capital Outlay	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ 25,000	\$ 75,000
Stores inventories	441,317	-	-	23,115	464,432
Prepaid expenditures	270,472	-	-	-	270,472
Total Nonspendable	<u>761,789</u>	<u>-</u>	<u>-</u>	<u>48,115</u>	<u>809,904</u>
<b>Restricted:</b>					
Categorical programs	9,466,116	-	-	1,428,486	10,894,602
Capital projects	-	20,316,543	-	25,060,065	45,376,608
Debt service	-	-	20,553,167	-	20,553,167
Total Restricted	<u>9,466,116</u>	<u>20,316,543</u>	<u>20,553,167</u>	<u>26,488,551</u>	<u>76,824,377</u>
<b>Assigned:</b>					
LCAP	4,577,552	-	-	-	4,577,552
Facilities update	1,500,000	-	-	-	1,500,000
Student tech/field/athletics/vehicles	1,950,000	-	-	-	1,950,000
2018-19 Deficit spending	9,193,542	-	-	-	9,193,542
Site Saturday school	102,055	-	-	-	102,055
Deferred maintenance program	1,510,952	-	-	-	1,510,952
Total Assigned	<u>18,834,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,834,101</u>
<b>Unassigned:</b>					
Reserve for economic uncertainties	8,398,500	-	-	-	8,398,500
Remaining unassigned balances	17,865,114	-	-	-	17,865,114
Total Unassigned	<u>26,263,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,263,614</u>
<b>Total</b>	<u>\$ 55,325,620</u>	<u>\$ 20,316,543</u>	<u>\$ 20,553,167</u>	<u>\$ 26,536,666</u>	<u>\$ 122,731,996</u>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	\$ 39,264,110	\$ 1,677,334	\$ -	\$ 40,941,444
Construction in progress	61,184,809	11,909,165	41,881,735	31,212,239
Total capital assets not being depreciated	<u>100,448,919</u>	<u>13,586,499</u>	<u>41,881,735</u>	<u>72,153,683</u>
Capital assets being depreciated:				
Improvement of sites	196,667,881	36,093,020	-	232,760,901
Buildings	221,179,766	13,354,309	-	234,534,075
Equipment	24,993,840	1,441,782	246,095	26,189,527
Total capital assets being depreciated	<u>442,841,487</u>	<u>50,889,111</u>	<u>246,095</u>	<u>493,484,503</u>
Accumulated depreciation for:				
Improvement of sites	(31,841,868)	(4,690,986)	-	(36,532,854)
Buildings	(98,928,912)	(5,447,524)	-	(104,376,436)
Equipment	(18,689,388)	(977,208)	-	(19,666,596)
Total accumulated depreciation	<u>(149,460,168)</u>	<u>(11,115,718)</u>	<u>-</u>	<u>(160,575,886)</u>
Total capital assets being depreciated, net	<u>293,381,319</u>	<u>39,773,393</u>	<u>246,095</u>	<u>332,908,617</u>
Governmental activity capital assets, net	<u>\$ 393,830,238</u>	<u>\$ 53,359,892</u>	<u>\$ 42,127,830</u>	<u>\$ 405,062,300</u>

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

Instruction	\$ 9,003,732
School Site Administration	444,628
Food Services	1,000,415
All Other Pupil Services	222,315
Ancillary Services	444,628
	<hr/>
Total	<u>\$ 11,115,718</u>

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

### NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 193,577,466	\$ -	\$ 5,693,634	\$ 187,883,832	\$ 5,480,065
Accreted interest component	26,701,345	4,397,106	791,366	30,307,085	994,934
Unamortized issuance premium	17,103,518	-	1,141,347	15,962,171	1,141,344
Total - Bonds	237,382,329	4,397,106	7,626,347	234,153,088	7,616,343
Financing lease	1,758,651	-	570,280	1,188,371	586,071
Supplemental early retirement plan	6,243,553	-	1,560,888	4,682,665	1,560,888
Compensated absences	1,551,845	166,148	-	1,717,993	-
Building acquisition lease	-	7,049,615	129,398	6,920,217	217,454
Other postemployment benefits	77,233,171	8,055,071	2,608,475	82,679,767	-
Claims liability	3,578,490	-	-	3,578,490	-
Totals	\$ 327,748,039	\$ 19,667,940	\$ 12,495,388	\$ 334,920,591	\$ 9,980,756

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax collections. Payments for the 2012 Lease Refinancing are made from the General Fund. The early retirement incentives, other postemployment benefits, and accumulated vacation will be paid by the fund for which the employee worked. The claims liability will be paid by the Internal Service Fund. The building lease will be paid from the General Fund.

#### A. General Obligation Bonds

The District has issued general obligation bonds under different voter-approved measures, as described below. Bonds are payable solely from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other state law. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds.

#### Election of 2001 (Measure B)

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on September 21, 2001, at which more than two-thirds of the persons voted to authorize the issuance and sale of \$102 million of general obligation bonds of the District. The bonds were issued to raise money to be used to acquire school sites, construct and repair school facilities and redeem a portion of the District's Series 2001 Certificates of Participation.

#### Election of 2008 (Measure G)

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 4, 2008, at which more than 55% of the voters authorized the issuance and sale of \$225 million of general obligation bonds for the modernization and construction of school facilities within the District.

#### Prior Refunding Issues

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds have not been included in the District's financial statements. At June 30, 2019, all escrow funds have been disbursed, and none of the defeased debt remains outstanding.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

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

**A. General Obligation Bonds (continued)**

**Prior Refunding Issues (continued)**

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of refunding are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the debt. Deferred amounts on refunding of \$5,685,448 remain to be amortized as of June 30, 2019.

A summary of outstanding general obligation bonds issued is presented below:

Description	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
<b>Election of 2001 (Measure B)</b>								
Series B	7/14/2004	2/1/2029	2.00%-5.89%	\$ 23,177,726	\$ 1,997,726	\$ -	\$ -	\$ 1,997,726
Series C	1/11/2006	2/1/2038	3.17%-5.12%	50,122,151	1,140,405	-	-	1,140,405
<b>Election of 2008 (Measure G)</b>								
Series A	10/15/2009	8/1/2034	4.50%-9.00%	48,999,050	1,154,881	-	558,760	596,121
Series B	8/31/2010	8/1/2046	5.00%-12.00%	41,938,348	35,064,455	-	59,874	35,004,581
Series C	7/7/2011	8/1/2026	5.458%-6.008%	11,900,000	11,900,000	-	-	11,900,000
Series D	8/2/2016	8/1/2044	2.00%-4.00%	24,645,000	24,030,000	-	850,000	23,180,000
<b>Refunding Bonds</b>								
	5/31/2012	8/1/2026	2.00%-5.00%	22,190,000	15,560,000	-	1,340,000	14,220,000
	5/1/2013	8/1/2027	2.00%-5.00%	38,625,000	32,455,000	-	2,610,000	29,845,000
	2/25/2016	2/1/2036	3.00%-5.00%	19,010,000	19,010,000	-	-	19,010,000
	8/2/2016	8/1/2046	2.00%-5.00%	51,540,000	51,265,000	-	275,000	50,990,000
					<u>\$ 193,577,466</u>	<u>\$ -</u>	<u>\$ 5,693,634</u>	<u>\$ 187,883,832</u>
<b>Accreted Interest</b>								
Measure B, Series B				\$ 2,828,713	\$ 324,681	\$ -	\$ -	\$ 3,153,394
Measure B, Series C				1,799,449	240,241	-	-	2,039,690
Measure G, Series A				1,331,273	181,955	-	701,240	811,988
Measure G, Series B				20,741,910	3,650,229	-	90,126	24,302,013
					<u>\$ 26,701,345</u>	<u>\$ 4,397,106</u>	<u>\$ 791,366</u>	<u>\$ 30,307,085</u>

The annual requirements to amortize general obligation bonds outstanding at June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2019-20	\$ 5,480,065	\$ 7,413,736	\$ 12,893,801
2020-21	6,268,821	6,453,556	12,722,377
2021-22	13,842,578	6,345,599	20,188,177
2022-23	6,955,000	6,021,940	12,976,940
2023-24	7,316,265	5,867,050	13,183,315
2024-29	48,857,732	30,501,266	79,358,998
2029-34	42,359,765	24,332,233	66,691,998
2034-39	31,613,659	46,388,303	78,001,962
2039-44	14,684,074	67,344,931	82,029,005
2044-47	10,505,873	34,062,254	44,568,127
Total	<u>\$ 187,883,832</u>	<u>\$ 234,730,868</u>	<u>\$ 422,614,700</u>

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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

#### B. Lease Agreements

##### Financing Lease

On April 27, 2012, the District, entered into an amended and restated lease agreement with the Colton Joint Unified School District Facilities Corporation, which entered into an assignment agreement with Alliance Bank of Arizona and caused Alliance Bank of Arizona to issue funds of \$5,271,757. The lease refinancing has a final maturity of June 1, 2021, with an interest rate of 2.75 percent. The net proceeds from the lease were used to refinance the District's outstanding 2001 Certificates of Participation.

The repayment schedule on the lease is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-20	\$ 586,071	\$ 28,651	\$ 614,722
2020-21	602,300	12,422	614,722
Total	<u>\$ 1,188,371</u>	<u>\$ 41,073</u>	<u>\$ 1,229,444</u>

##### Building Acquisition Lease

On December 6, 2018 the Colton Joint Unified School District Facilities Corporation as part of a lease purchase agreement with the Colton Joint Unified School District purchased a property designated as 850 and 900 Washington for \$9,220,000, of which the corporation financed the principal amount of \$7,049,615 through Pacific Western Bank. The lease agreement matures on December 1, 2038, with an interest rate of 4.95 percent. The District has agreed to make lease payments to the corporation under this arrangement as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-20	\$ 217,454	\$ 339,893	\$ 557,347
2020-21	228,351	328,995	557,346
2021-22	239,795	317,552	557,347
2022-23	251,811	305,535	557,346
2023-24	264,430	292,916	557,346
2024-29	1,534,711	1,252,023	2,786,734
2029-34	1,959,774	826,961	2,786,735
2034-39	2,223,891	284,170	2,508,061
Total	<u>\$ 6,920,217</u>	<u>\$ 3,948,045</u>	<u>\$ 10,868,262</u>

#### C. Early Retirement

The District has established a supplemental early retirement incentive program (SERP) whereby certain qualified employees may retire early and receive a portion of their salary paid out as an annuity. The total future payments owing at June 30, 2019, for these obligations are shown below.

<u>Fiscal Year</u>	<u>Payment</u>
2019-20	\$ 1,560,888
2020-21	1,560,888
2021-22	1,560,889
	<u>\$ 4,682,665</u>

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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

#### D. 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 \$8,940,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the financial statements.

#### E. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 81,406,852	\$ 4,257,756	\$ 1,917,987	\$ 6,911,166
MPP Program	1,272,915	-	-	(163,924)
Total	\$ 82,679,767	\$ 4,257,756	\$ 1,917,987	\$ 6,747,242

The details of each plan are as follows:

#### District Plan

##### *Plan Description*

Colton Joint Unified School District has a single-employer defined benefit OPEB plan that provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. The District provides post-employment healthcare benefits to eligible retirees and their covered eligible dependents and pays a portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

##### *Benefits Provided*

The postretirement health plans and the District's obligation vary by employee group as described below.

##### **Access to coverage**

The District reported the following OPEB: medical coverage (including vision) and dental coverage for its retiring employees. Only the medical plan coverage for pre-Medicare retirees creates a GASB 75 liability for the District. Medical coverage is available for employees who satisfy the requirements for retirement under the applicable retirement system:

- CalPERS retirement requires attainment of age 50 (age 52 if new to PERS after December 31, 2012) with 5 years of State or public agency services or approved disability retirement
- CalSTRS retirement requires attainment of age 55 with 5 years of State or public agency service. If CalSTRS membership began prior to January 1, 2013, the employee can retire at age 50 with 30 years of State or public agency service.



**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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

**E. Other Postemployment Benefits (OPEB) Liability (continued)**

**District Plan (continued)**

***Benefits Provided (continued)***

**District Subsidy of Retiree Coverage**

Dental coverage is not subsidized by the District. Retirees choosing to continue this coverage are required to pay the full premium.

Retiring employees who satisfy the requirements are eligible for a temporary benefit paid by the District toward the cost of their medical/vision coverage. Minimum age and services requirements, the benefit amount, and duration are summarized below:

Employee Group	Minimum Age	Minimum Service	Benefit	Benefit Duration	Survivor Benefits
Certificated	55	15	Up to 100% of the premium for HMO coverage for retiree + spouse or 1 dep	5 years (10 years if age 50 before 7/1/2007) or until age 65	No
Classified*	50	15		10 years or until age 65	Yes

\*The benefit amount is pro-rated for Classified employees who worked less than 100% FTE

Three current retirees are entitled to lifetime medical benefits; no other persons qualify for lifetime benefits.

***Employees Covered by Benefit Terms***

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	162
Active employees	2,283
Total	2,445

***Total OPEB Liability***

The District's total OPEB liability of \$81,406,852 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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

**E. Other Postemployment Benefits (OPEB) Liability (continued)**

**District Plan (continued)**

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Inflation	2.75 percent
Salary increases	3.25 percent
Healthcare cost trend rates	8.5% in 2018, step down 0.5% per year to 5.0% by 2025
Retirees' share of benefit-related costs	The District will pay up to 100% of the premium for HMO coverage for retiree with one spouse or dependent. Dental coverage is not subsidized by the District.

***Discount Rate***

The discount rate of 2.98% is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

***Mortality Rates***

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations.

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2018</b>	<u>\$ 75,796,333</u>
<b>Changes for the year:</b>	
Service cost	4,668,624
Interest	2,480,296
Changes of assumptions	906,151
Benefit payments	<u>(2,444,552)</u>
Net changes	5,610,519
<b>Balance at June 30, 2019</b>	<u>\$ 81,406,852</u>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2019

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

**E. Other Postemployment Benefits (OPEB) Liability (continued)**

**District Plan (continued)**

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

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

<u>Discount Rate</u>	<u>OPEB Liability</u>
1% decrease (1.98%)	\$ 87,654,288
Current discount rate (2.98%)	\$ 81,406,852
1% increase (3.98%)	\$ 75,514,834

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

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

<u>Healthcare Cost Trend Rate</u>	<u>OPEB Liability</u>
1% decrease (7.00%)	\$ 72,477,258
Current rate (8.00%)	\$ 81,406,852
1% increase (9.00%)	\$ 92,419,721

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$6,911,166. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 782,021	\$ 1,917,987
District contributions subsequent to the measurement date of the net OPEB liability	3,475,735	-
Total	<u>\$ 4,257,756</u>	<u>\$ 1,917,987</u>

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. The deferred outflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 6.79 years.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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

**E. Other Postemployment Benefits (OPEB) Liability (continued)**

**District Plan (continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)***

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2019	\$ (237,754)
2020	(237,754)
2021	(237,754)
2022	(237,754)
2023	(237,754)
Thereafter	52,804
	<u>\$ (1,135,966)</u>

**Medicare Premium Payment (MPP) Program**

***Plan Description***

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

***Benefits Provided***

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

As of June 30, 2019, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2019

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

**E. Other Postemployment Benefits (OPEB) Liability (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Benefits Provided (continued)***

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

***Total OPEB Liability***

At June 30, 2019, the District reported a liability of \$1,272,915 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<b><u>Percentage Share of MPP Program</u></b>		
	<b><u>Fiscal Year</u></b>	<b><u>Fiscal Year</u></b>	<b><u>Change</u></b>
	<b><u>Ending</u></b>	<b><u>Ending</u></b>	<b><u>Increase/</u></b>
	<b><u>June 30, 2019</u></b>	<b><u>June 30, 2018</u></b>	<b><u>(Decrease)</u></b>
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net OPEB Liability	0.332554%	0.341529%	-0.008975%

For the year ended June 30, 2019, the District reported OPEB expense of \$(163,924).

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

## COLTON JOINT UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

#### E. Other Postemployment Benefits (OPEB) Liability (continued)

##### Medicare Premium Payment (MPP) Program (continued)

###### *Actuarial Assumptions and Other Inputs (continued)*

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

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, 2018, 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 was 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. 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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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

**E. Other Postemployment Benefits (OPEB) Liability (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

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

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

	Discount Rate	MPP OPEB Liability
	1% decrease (2.87%)	\$ 1,407,905
	Current discount rate (3.87%)	\$ 1,272,915
	1% increase (4.87%)	\$ 1,151,024

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

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

	Medicare Cost Trend Rates	MPP OPEB Liability
	1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,160,768
	Current rate (3.7% Part A and 4.1% Part B)	\$ 1,272,915
	1% increase (4.7% Part A and 5.1% Part B)	\$ 1,393,522

**NOTE 8 – PENSION PLANS**

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 194,360,212	\$ 61,564,558	\$ 10,307,285	\$ 30,542,800
CalPERS	80,730,160	21,596,752	-	16,247,905
Total	<u>\$ 275,090,372</u>	<u>\$ 83,161,310</u>	<u>\$ 10,307,285</u>	<u>\$ 46,790,705</u>

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

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

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

##### Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and 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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%



**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 8 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS)**

**Contributions**

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In 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 program for the year ended June 30, 2019, are presented above and the District’s total contributions were \$18,677,454.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of net pension liability	\$	194,360,212
State’s proportionate share of the net pension liability associated with the District		<u>111,280,312</u>
Total	<u>\$</u>	<u>305,640,524</u>

The net pension liability was measured as of June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District’s proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.211475%	0.214583%	-0.003108%

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2019

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**NOTE 8 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

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

For the year ended June 30, 2019, the District recognized pension expense of \$30,542,800. In addition, the District recognized pension expense and revenue of \$3,794,636 for support provided by the State. At June 30, 2019, 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	\$ 18,677,454	\$ -
Net change in proportionate share of net pension liability	12,090,018	-
Difference between projected and actual earnings on pension plan investments	-	7,484,096
Changes of assumptions	30,194,382	-
Differences between expected and actual experience	602,704	2,823,190
Total	<u>\$ 61,564,558</u>	<u>\$ 10,307,285</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 10,540,089
2021	7,733,818
2022	2,626,699
2023	7,664,031
2024	4,681,305
Thereafter	(666,123)
Total	<u>\$ 32,579,819</u>

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

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

##### Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

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

##### Discount Rate

The discount rate used to measure the total pension liability was 7.1%. 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 (7.1%) 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 284,714,967
Current discount rate (7.10%)	194,360,212
1% increase (8.10%)	119,447,353

##### On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$17,741,298.

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

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

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

##### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

##### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$7,504,802.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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**NOTE 8 – PENSION PLANS (continued)**

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

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$80,730,160. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.302778%	0.305804%	-0.003026%

For the year ended June 30, 2019, the District recognized pension expense of \$16,247,905. At June 30, 2019, 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	\$ 7,504,802	\$ -
Net change in proportionate share of net pension liability	76,857	-
Difference between projected and actual earnings on pension plan investments	662,169	-
Changes of assumptions	8,060,550	-
Differences between expected and actual experience	5,292,374	-
Total	<u>\$ 21,596,752</u>	<u>\$ -</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 9,010,848
2021	6,304,575
2022	(603,324)
2023	(620,149)
2024	-
Thereafter	-
Total	<u>\$ 14,091,950</u>

##### **Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

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

##### Actuarial Methods and Assumptions (continued)

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

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

##### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 117,539,253
Current discount rate (7.15%)	80,730,160
1% increase (8.15%)	50,191,749

##### On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$2,737,114.

#### C. Social Security

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



## **COLTON JOINT UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2019*

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#### **NOTE 8 – PENSION PLANS (continued)**

##### **D. Payables to the Pension Plans**

At June 30, 2019, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, required for the fiscal year ended June 30, 2019.

#### **NOTE 9 – JOINT VENTURES**

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), California Schools Risk Management (CSRSM), and California Schools Employee Benefits Association (CSEBA) public entity risk pools. The District pays an annual premium to ASCIP for property and liability coverage. Payments for health benefit coverage are paid to CSEBA. The District pays an annual premium to CSRSM for excess workers' compensation. The relationships between the District, the pools, and the JPAs are 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.

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

#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

##### **A. State and Federal Allowances, Awards and Grants**

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

##### **B. Construction Commitments**

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of \$4.5 million to be paid from a combination of State and local funds.

##### **C. Litigation**

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

# COLTON JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 11 – RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### 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 (CSRMM).

#### Claims Liability

The District records an estimated liability for workers' compensation 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 District 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's workers' compensation from July 1, 2017 to June 30, 2019:

	Workers' Compensation
Liability Balance, July 1, 2017	\$ 10,021,322
Claims and changes in estimates	967,410
Claims payments	<u>(1,729,732)</u>
Liability Balance, June 30, 2018	3,578,490
Claims and changes in estimates	2,409,888
Claims payments	<u>(2,409,888)</u>
Liability Balance, June 30, 2019	<u>\$ 3,578,490</u>
Assets available to pay claims at June 30, 2019	<u>\$ 20,639,045</u>

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***Required Supplementary Information***

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**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2019*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
<b>Revenues</b>				
LCFF Sources	\$ 232,026,404	\$ 232,271,730	\$ 233,273,616	\$ 1,001,886
Federal Sources	14,137,667	17,691,913	14,470,455	(3,221,458)
Other State Sources	15,473,595	24,630,432	34,255,224	9,624,792
Other Local Sources	9,545,279	10,626,892	10,470,726	(156,166)
<b>Total Revenues</b>	<b>271,182,945</b>	<b>285,220,967</b>	<b>292,470,021</b>	<b>7,249,054</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	117,177,307	116,761,318	115,038,077	1,723,241
Classified Salaries	37,494,617	37,759,020	37,262,073	496,947
Employee Benefits	61,790,166	74,827,757	79,855,615	(5,027,858)
Books and Supplies	18,410,720	12,942,256	11,541,333	1,400,923
Services and Other Operating Expenditures	30,058,357	27,625,189	25,139,857	2,485,332
Transfers of Indirect Costs	(119,169)	(75,797)	(55,982)	(19,815)
Capital Outlay	5,784,009	6,984,380	12,045,635	(5,061,255)
Other Outgo	3,411,000	3,689,532	3,613,095	76,437
<b>Total Expenditures</b>	<b>274,007,007</b>	<b>280,513,655</b>	<b>284,439,703</b>	<b>(3,926,048)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,824,062)	4,707,312	8,030,318	3,323,006
<b>Other Financing Sources and Uses</b>				
Interfund Transfers Out	(4,427,000)	(6,235,813)	(4,656,207)	1,579,606
Proceeds from capital leases	-	-	7,049,615	7,049,615
<b>Total Other Financing Sources and Uses</b>	<b>(4,427,000)</b>	<b>(6,235,813)</b>	<b>2,393,408</b>	<b>8,629,221</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,251,062)	(1,528,501)	10,423,726	11,952,227
Fund Balances, July 1, 2018	44,951,830	43,372,380	43,390,942	-
Fund Balances, June 30, 2019	<u>\$ 37,700,768</u>	<u>\$ 41,843,879</u>	<u>\$ 53,814,668</u>	<u>\$ 11,952,227</u>
<b>Other Fund Balances included in the statement of Revenues, Expenditures and Changes in Fund Balances</b>				
Deferred Maintenance Fund			1,510,952	
<b>Reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<u>\$ 55,325,620</u>	

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2019*

	Last Ten Fiscal Years*				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CalSTRS</b>					
District's proportion of the net pension liability	<u>0.2115%</u>	<u>0.2146%</u>	<u>0.2140%</u>	<u>0.2250%</u>	<u>0.1770%</u>
District's proportionate share of the net pension liability	<u>\$ 194,360,212</u>	<u>\$ 198,446,468</u>	<u>\$ 173,085,340</u>	<u>\$ 151,479,000</u>	<u>\$ 103,433,490</u>
State's proportionate share of the net pension liability associated with the District	<u>111,280,312</u>	<u>117,399,254</u>	<u>98,548,904</u>	<u>80,115,478</u>	<u>62,458,234</u>
Totals	<u>\$ 305,640,524</u>	<u>\$ 315,845,722</u>	<u>\$ 271,634,244</u>	<u>\$ 231,594,478</u>	<u>\$ 165,891,724</u>
District's covered-employee payroll	<u>\$ 112,394,664</u>	<u>\$ 113,288,831</u>	<u>\$ 110,239,338</u>	<u>\$ 100,580,991</u>	<u>\$ 90,159,745</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>172.93%</u>	<u>175.17%</u>	<u>157.01%</u>	<u>150.60%</u>	<u>114.72%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
<b>CalPERS</b>					
District's proportion of the net pension liability	<u>0.3028%</u>	<u>0.3058%</u>	<u>0.3145%</u>	<u>0.3033%</u>	<u>0.2882%</u>
District's proportionate share of the net pension liability	<u>\$ 80,730,160</u>	<u>\$ 73,003,592</u>	<u>\$ 62,113,945</u>	<u>\$ 44,706,720</u>	<u>\$ 32,717,719</u>
District's covered-employee payroll	<u>\$ 40,073,344</u>	<u>\$ 39,239,509</u>	<u>\$ 37,764,303</u>	<u>\$ 33,504,443</u>	<u>\$ 30,233,421</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>201.46%</u>	<u>186.05%</u>	<u>164.48%</u>	<u>133.44%</u>	<u>108.22%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

**Notes to Schedule:**

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions*  
*For the Fiscal Year Ended June 30, 2019*

	Last Ten Fiscal Years*				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>					
Contractually required contribution	\$ 18,677,454	\$ 16,218,550	\$ 14,251,735	\$ 11,828,681	\$ 8,931,592
Contributions in relation to the contractually required contribution	<u>18,677,454</u>	<u>16,218,550</u>	<u>14,251,735</u>	<u>11,828,681</u>	<u>8,931,592</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 114,726,374</u>	<u>\$ 112,394,664</u>	<u>\$ 113,288,831</u>	<u>\$ 110,239,338</u>	<u>\$ 100,580,991</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>					
Contractually required contribution	\$ 7,504,802	\$ 6,223,791	\$ 5,449,583	\$ 4,473,937	\$ 3,943,808
Contributions in relation to the contractually required contribution	<u>7,504,802</u>	<u>6,223,791</u>	<u>5,449,583</u>	<u>4,473,937</u>	<u>3,943,808</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 41,550,229</u>	<u>\$ 40,073,344</u>	<u>\$ 39,239,509</u>	<u>\$ 37,764,303</u>	<u>\$ 33,504,443</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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



**COLTON JOINT UNIFIED SCHOOL DISTRICT***Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2019*

Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 4,668,624	\$ 4,888,948
Interest	2,480,296	2,080,731
Changes of assumptions or other inputs	906,151	(2,641,755)
Benefit payments	<u>(2,444,552)</u>	<u>(2,563,737)</u>
<b>Net change in total OPEB liability</b>	5,610,519	1,764,187
<b>Total OPEB liability - beginning</b>	<u>75,796,333</u>	<u>74,032,146</u>
<b>Total OPEB liability - ending</b>	<u>\$ 81,406,852</u>	<u>\$ 75,796,333</u>
<b>Covered-employee payroll</b>	<u>\$ 142,813,398</u>	<u>\$ 140,812,256</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>57.00%</u>	<u>53.83%</u>

**Notes to Schedule:**

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
For the Fiscal Year Ended June 30, 2019*

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	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	<u>0.3326%</u>	<u>0.3415%</u>
District's proportionate share of net OPEB liability	<u>\$ 1,272,915</u>	<u>\$ 1,436,838</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.40%</u>	<u>0.01%</u>

**Notes to Schedule:**

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

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

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

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

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

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

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

*Change of assumptions* - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

**Schedule of District Contributions**

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

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

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

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

*Change of assumptions* – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate used for the valuation was 2.98% compared to the prior rate of 3.13%.

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

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

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

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

*Change of assumptions* – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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***Supplementary Information***

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**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2019*

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The Colton Joint Unified School 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**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Ms. Joanne E. Thoring-Ojeda	President	2022
Ms. Patt Haro	Vice President	2020
Mr. Dan Flores	Clerk	2022
Ms. Bertha Arreguin	Member	2020
Mr. Israel Fuentes	Member	2022
Mr. Frank A. Ibarra	Member	2020
Ms. Berenice Sandoval	Member	2022

**DISTRICT ADMINISTRATORS**

Mr. Jerry Almendarez,  
*Superintendent*

Ms. Amanda Corridan,  
*Assistant Superintendent, Student Services Division*

Mr. Frank Miranda, Ed.D.,  
*Assistant Superintendent, Business Services Division*

Ms. Ingrid Munsterman,  
*Assistant Superintendent, Human Resources Division*

Dr. Tina Petersen,  
*Assistant Superintendent, Educational Services Division*



**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2019*

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	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. A3110891	Certificate No. EE022585
<b>Regular ADA:</b>		
Grades TK - 3	6,320.27	6,315.24
Grades 4 - 6	4,892.78	4,877.15
Grades 7 - 8	3,548.15	3,533.73
Grades 9 - 12	6,160.68	6,060.60
Total Regular ADA	20,921.88	20,786.72
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Grades TK - 3	2.36	2.78
Grades 4 - 6	6.45	6.63
Grades 7 - 8	6.30	6.87
Grades 9 - 12	10.25	10.48
Total Special Education, Nonpublic, Nonsectarian Schools	25.36	26.76
Total ADA	20,947.24	20,813.48

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2019*

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<u>Grade Level</u>	<u>Required</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	37,350	180	Complied
Grade 1	50,400	55,125	180	Complied
Grade 2	50,400	55,125	180	Complied
Grade 3	50,400	55,125	180	Complied
Grade 4	54,000	55,125	180	Complied
Grade 5	54,000	55,125	180	Complied
Grade 6	54,000	55,125	180	Complied
Grade 7	54,000	61,767	180	Complied
Grade 8	54,000	61,767	180	Complied
Grade 9	64,800	65,267	180	Complied
Grade 10	64,800	65,267	180	Complied
Grade 11	64,800	65,267	180	Complied
Grade 12	64,800	65,267	180	Complied

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

General Fund	(Budget) 2020 <sup>2</sup>	2019	2018	2017
Revenues and other financing sources	\$ 269,623,971	\$ 299,519,636	\$ 268,271,857	\$ 263,397,953
Expenditures	276,733,638	284,439,703	260,500,852	255,859,592
Other uses and transfers out	2,083,875	4,656,207	7,140,741	5,861,361
Total outgo	<u>278,817,513</u>	<u>289,095,910</u>	<u>267,641,593</u>	<u>261,720,953</u>
Change in fund balance (deficit)	<u>(9,193,542)</u>	<u>10,423,726</u>	<u>630,264</u>	<u>1,677,000</u>
Ending fund balance	<u>\$ 44,621,126</u>	<u>\$ 53,814,668</u>	<u>\$ 43,390,942</u>	<u>\$ 42,760,727</u>
Available reserves <sup>1</sup>	<u>\$ 29,281,886</u>	<u>\$ 26,263,614</u>	<u>\$ 14,708,914</u>	<u>\$ 13,456,924</u>
Available reserves as a percentage of total outgo	<u>10.5%</u>	<u>9.1%</u>	<u>5.5%</u>	<u>5.1%</u>
Total long-term debt	<u>\$ 600,030,207</u>	<u>\$ 610,010,963</u>	<u>\$ 599,198,099</u>	<u>\$ 558,406,634</u>
Average daily attendance at P-2	<u>20,651</u>	<u>20,947</u>	<u>21,452</u>	<u>21,764</u>

The General Fund balance has increased by \$11,053,941 over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of \$9.2 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in each of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has increased by nearly \$51.6 million over the past two years.

Average daily attendance has decreased by 817 over the past two years. A decrease of 296 ADA is anticipated during fiscal year 2019-20.

<sup>1</sup> Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty in the General Fund.

<sup>2</sup> Revised Final Budget September, 2019.

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2019*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
<b>Federal Programs:</b>				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 1,734,258	
National School Lunch Program	10.555	13396	7,858,921	
Summer Food Service Program	10.559	13004	173,548	
USDA Donated Foods	10.555	N/A	<u>1,088,072</u>	
Total Child Nutrition Cluster				\$ 10,854,799
NSLP Equipment Assistance Grants	10.579	14906		6,135
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	669,295	
Child and Adult Care Food Program - Cash in lieu	10.558	13389	<u>40,119</u>	
Total Child and Adult Care Food Program Cluster				<u>709,414</u>
Total U.S. Department of Agriculture				<u>11,570,348</u>
U.S. Department of Defense:				
Reserve Officer Training Corps (ROTC)	12.357	N/A		<u>111,299</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Education Cluster:				
Adult Secondary Education	84.002	13978	44,550	
Adult Basic Education & ESL	84.002A	14508	<u>52,211</u>	
Total Adult Education Cluster				96,761
Every Student Succeeds Act (ESSA):				
Title I, Part A Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		7,709,413
Title II, Part A, Supporting Effective Instruction	84.367	14341		1,087,117
English Language Acquisition Grants Cluster				
Title III, Limited English Proficiency	84.365	14346	551,803	
Title III, Immigration Education	84.365	15146	<u>41,465</u>	
Total English Language Acquisition State Grants Cluster				593,268
Title IV Student Support and Academic Enrichment	84.424	15396		45,337
Carl D. Perkins Career and Technical Education: Secondary	84.048	14894		64,015
Passed through East Valley SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	4,017,749	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	44,980	
Preschool Grants, Part B, Sec 619	84.173	13430	102,866	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	249,058	
Preschool Staff Development	84.173A	13431	<u>795</u>	
Total Special Education Cluster				<u>4,415,448</u>
Total U.S. Department of Education				<u>14,011,359</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013	460,936	
Medi-Cal Administrative Activities (MAA)	93.778	10060	<u>130,244</u>	
Total Medicaid Cluster				591,180
Direct Federal to Local Program:				
Head Start	93.600	10016		<u>1,012,415</u>
Total U.S. Department of Health & Human Services				<u>1,603,595</u>
Total Expenditures of Federal Awards				<u>\$ 27,296,601</u>

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

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Combining Balance Sheet - Non-Major Governmental Funds*  
*June 30, 2019*

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Total Non-Major Governmental Funds
<b>ASSETS</b>								
Cash	\$ 45,067	\$ 97,462	\$ 1,490,182	\$ 8,346,135	\$ 15,052,436	\$ 2,757,466	\$ -	\$ 27,788,748
Accounts receivable	177,140	410,384	1,565,408	51,940	82,003	88,728	-	2,375,603
Due from other funds	-	104,153	108,014	-	-	-	-	212,167
Inventories	-	-	23,115	-	-	-	-	23,115
Total Assets	<u>\$ 222,207</u>	<u>\$ 611,999</u>	<u>\$ 3,186,719</u>	<u>\$ 8,398,075</u>	<u>\$ 15,134,439</u>	<u>\$ 2,846,194</u>	<u>\$ -</u>	<u>\$ 30,399,633</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 56,680	\$ 121,029	\$ 155,036	\$ 209,543	\$ 1,104,475	\$ -	\$ -	\$ 1,646,763
Due to other funds	20,844	456,599	1,734,136	4,625	-	-	-	2,216,204
Total Liabilities	<u>77,524</u>	<u>577,628</u>	<u>1,889,172</u>	<u>214,168</u>	<u>1,104,475</u>	<u>-</u>	<u>-</u>	<u>3,862,967</u>
<b>Fund Balances</b>								
Nonspendable	-	-	48,115	-	-	-	-	48,115
Restricted	144,683	34,371	1,249,432	8,183,907	14,029,964	2,846,194	-	26,488,551
Total Fund Balances	<u>144,683</u>	<u>34,371</u>	<u>1,297,547</u>	<u>8,183,907</u>	<u>14,029,964</u>	<u>2,846,194</u>	<u>-</u>	<u>26,536,666</u>
Total Liabilities and Fund Balances	<u>\$ 222,207</u>	<u>\$ 611,999</u>	<u>\$ 3,186,719</u>	<u>\$ 8,398,075</u>	<u>\$ 15,134,439</u>	<u>\$ 2,846,194</u>	<u>\$ -</u>	<u>\$ 30,399,633</u>

**COLTON JOINT UNIFIED SCHOOL DISTRICT**

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major  
Governmental Funds*

*For the Fiscal Year Ended June 30, 2019*

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Total Non-Major Governmental Funds
<b>REVENUES</b>								
Federal sources	\$ 96,761	\$ 1,012,415	\$ 11,570,348	\$ -	\$ -	\$ -	\$ -	\$ 12,679,524
Other state sources	598,540	2,094,429	1,023,521	11,416	-	20,881,209	-	24,609,115
Other local sources	4,569	48,385	500,275	230,152	4,267,621	119,883	-	5,170,885
Total Revenues	699,870	3,155,229	13,094,144	241,568	4,267,621	21,001,092	-	42,459,524
<b>EXPENDITURES</b>								
Current:								
Instructional Services:								
Instruction	313,200	2,438,246	-	-	-	-	-	2,751,446
Instruction-Related Services:								
Supervision of instruction	61,111	3,626	-	-	-	-	-	64,737
School site administration	222,602	492,467	-	-	-	-	-	715,069
Pupil Support Services:								
Food services	-	61,932	13,059,131	-	-	-	-	13,121,063
All other pupil services	312,139	234,399	-	-	-	-	-	546,538
General Administration Services:								
Ancillary services	-	-	-	-	23,521	-	101	23,622
Plant Services	-	129,675	10,020	-	302,842	-	-	442,537
Transfers of Indirect Costs	-	55,982	-	-	-	-	-	55,982
Capital Outlay	-	-	6,135	5,609,578	3,116,902	-	-	8,732,615
Total Expenditures	909,052	3,416,327	13,075,286	5,609,578	3,443,265	-	101	26,453,609
Excess (Deficiency) of Revenues Over (Under) Expenditures	(209,182)	(261,098)	18,858	(5,368,010)	824,356	21,001,092	(101)	16,005,915
<b>OTHER FINANCING SOURCES (USES)</b>								
Interfund transfers in	2,141	119,052	108,014	-	-	-	-	229,207
Interfund transfers out	-	-	-	-	-	(18,155,890)	-	(18,155,890)
Total Other Financing Sources and Uses	2,141	119,052	108,014	-	-	(18,155,890)	-	(17,926,683)
Net Change in Fund Balances	(207,041)	(142,046)	126,872	(5,368,010)	824,356	2,845,202	(101)	(1,920,768)
Fund Balances, July 1, 2018	351,724	176,417	1,170,675	13,551,917	13,205,608	992	101	28,457,434
Fund Balances, June 30, 2019	\$ 144,683	\$ 34,371	\$ 1,297,547	\$ 8,183,907	\$ 14,029,964	\$ 2,846,194	\$ -	\$ 26,536,666

# COLTON JOINT UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2019

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## NOTE 1 – PURPOSE OF SCHEDULES

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

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

### Schedule of Financial Trends and Analysis

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

### Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

### Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 27,149,979
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	<u>146,622</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 27,296,601</u>

### Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.



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***Other Independent Auditors' Reports***

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Colton Joint Unified School District  
Colton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colton Joint Unified School District as of and for the year ended June 30, 2019, 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 December 2, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Colton Joint Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Murrieta, California  
December 2, 2019

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

Board of Education  
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, 2019. Colton Joint Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 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, 2019.

### **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 District's internal control over compliance.

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

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

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



Murrieta, California  
December 2, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Colton Joint Unified School District
Colton, California

Report on State Compliance

We have audited Colton Joint Unified School District's compliance with the types of compliance requirements described in the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Colton Joint Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Colton Joint Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about 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 state program. However, our audit does not provide a legal determination of Colton Joint Unified School District's compliance.

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

Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No (see below)), Continuation Education (Yes), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).



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

We did not perform testing for independent study because the ADA was under the level that requires testing.

***Unmodified Opinion on Compliance with State Programs***

In our opinion, Colton Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

*Nigro + Nigro, PC.*

Murrieta, California  
December 2, 2019

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***Findings and Questioned Costs***

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**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.367</u>	<u>Supporting effective instruction</u>
<u>93.600</u>	<u>Head Start</u>
<u>84.027 and 84.173</u>	<u>Special Education Cluster (IDEA)</u>

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

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

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

***There were no financial statement findings in 2018-19.***

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

*There were no federal award findings or questioned costs in 2018-19.*

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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

*There were no state award findings or questioned costs in 2018-19.*

**COLTON JOINT UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2019*

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*There were no findings or questioned costs in 2017-18.*



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To the Board of Education  
Colton Joint Unified School District  
Colton, California

In planning and performing our audit of the basic financial statements of Colton Joint Unified School District for the fiscal year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity 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 December 2, 2019, on the financial statements of Colton Joint Unified School District.

### **ASSOCIATED STUDENT BODY (ASB) FUNDS**

**Observation:** In our testing of cash disbursements at **Bloomington High, Colton High, and Grand Terrace High**, we noted disbursements that were approved by the district representative, the ASB advisor, and the student representative, but not until the expenditure had already been incurred.

Furthermore, we noted disbursements at **Colton High and Grand Terrace High** that were missing the approval of the district representative, the ASB advisor, and/or the student representative.

**Recommendation:** Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative prior to disbursing the funds. As a best practice, we recommend that the approvals be obtained prior to incurring the expense.

**Observation:** During our testing of cash disbursements, we noted disbursements at **Colton High and Grand Terrace High** that were missing supporting documentation such as an invoice, proper authorization, and proof of receipt.

**Recommendation:** Issuing payment for expenditures without proper approvals and supporting documentation can provide the opportunity for the misappropriation of student funds. Additionally, Ed Code 48933(b) requires approval of expenditures by a District representative, the ASB Advisor, and a student representative, prior to the issuance of funds. We recommend that the site require all approvals and appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent.

**Observation:** Through our disbursement testing at **Bloomington High and Colton Middle**, we noted items that were shipped directly to a location other than the school's address.

**Recommendation:** Allowing items to be shipped directly to the purchaser increases the possibility for fraudulent transactions to occur and go undetected. All goods or services purchased with ASB funds should be received by an individual other than the original purchaser and signed off.

## ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

**Observation:** At **Colton Middle** we noted that the Student Council did not prepare an annual operating budget. A budget is an important tool to monitor the financial activities of the ASB. Additionally, we noted safeguards to protect cash against theft do not appear to be adequate. We noted that cash is kept in a locked cabinet that may not be as physically secure as a safe. We also noted that several people have access to this cabinet.

**Recommendation:** After preparation of an annual operating budget, the Student Council should adopt the budget and document it in the minutes. We recommend that the staff on site keep all cash locked in a safe until it is ready to be deposited, keep the safe locked at all times, and minimize who has access to the safe to ensure that cash properly safeguarded.

**Observation:** During our review of club trust accounts at **Colton High**, we noted club accounts within the ASB account that appear to be inappropriate. There are two “incentive” trust accounts which are used to purchase and issue incentives to students, such as food baskets and funds for homeless students. There was also one account which was named “Recognition Fund for Staff” which was used to provide an appreciation gift to employees.

**Recommendation:** The use of ASB funds for these purposes constitutes a gift of public funds. Gifts of public funds to teachers, students, or families are not allowable no matter how nominal the amount or how worthy the cause. ASB funds are considered public funds because they are raised through the District’s tax identification number and receive the benefit of nontaxable status. We recommend that the ASB Bookkeeper close these accounts and transfer the funds to the general ASB account for student use.

**Observation:** Through our disbursement testing at **Grand Terrace High** we noted that the site replenishes the petty cash account by writing a check payable to “Petty Cash”. All checks should be made payable to an identifiable vendor in order to help prevent misappropriation of funds.

**Recommendation:** We recommend that the custodian of the petty cash send a request to the ASB where it will receive the appropriate approvals from the student representative, district representative, and ASB advisor. After the approvals are given, the check should be made payable to the custodian’s name.

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

*Nigro + Nigro, PC.*

Murrieta, California  
December 2, 2019