



Financial Statements
June 30, 2023

Colton Joint Unified School District

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Colton Joint Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Colton Joint Unified School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position and General Fund balance as of July 1, 2022, to restate beginning net position and fund balance. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 19, 2024

Colton Joint Unified School District

Frank Miranda, Ed.D., Superintendent

Gregory Fromm, Assistant Superintendent, Business Services Division



Commitment to Equal Opportunity

BOARD OF EDUCATION

Ms. Joanne E. Thoring-Ojeda, *President*

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This section of Colton Joint Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position of governmental activities increased by \$84.5 million to \$142.6 million.
- Governmental expenses were \$394.3 million. Revenues were \$478.8 million.
- The District decreased its outstanding long-term liabilities other than OPEB and pensions by \$5.8 million or about 2.2%. This is primarily due to decreases in general obligation bonds and the payoff of a supplemental early retirement plan.
- Governmental funds ended the year at \$255.6 million, which was \$72.1 million higher than how they began the year.
- Reserves for the General Fund increased by \$5.5 million to \$28.0 million partially because of restricted one-time revenues recognized in 2022-2023. Revenues and other sources were \$430.6 million and expenditures and other uses were \$362.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

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

THE DISTRICT'S GOVERNMENTAL ACTIVITIES

Net Position

The District's net position was \$142,633,180 for the fiscal year ended June 30, 2023. Of this amount, \$(252,722,829) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2023	2022 as restated
Assets		
Current and other assets	\$ 327,465,936	\$ 264,960,924
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	412,187,624	414,709,125
Total assets	739,653,560	679,670,049
Deferred outflows of resources	90,654,194	77,983,518
Liabilities		
Current liabilities	54,892,177	61,933,803
Long-term liabilities other than OPEB and pensions	254,905,270	260,748,121
Net other postemployment benefits (OPEB) liability	72,774,098	79,371,095
Aggregate net pension liability	247,790,956	160,101,736
Total liabilities	630,362,501	562,154,755
Deferred inflows of resources	57,312,073	137,380,520
Net Position		
Net investment in capital assets	234,995,900	229,108,337
Restricted	160,360,109	108,696,583
Unrestricted (deficit)	(252,722,829)	(279,686,628)
Total net position	\$ 142,633,180	\$ 58,118,292

The \$(252,722,829) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 9.6% (\$(252,722,829) compared to \$(279,686,628)).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2023	2022 *
Revenues		
Program revenues		
Charges for services and sales	\$ 595,523	\$ 431,044
Operating grants and contributions	160,016,070	88,403,455
Capital grants and contributions	3,317,579	2,993,038
General revenues		
Federal and State aid not restricted	246,552,473	214,862,152
Property taxes	58,238,713	59,772,101
Other general revenues	10,100,531	9,670,400
Total revenues	478,820,889	376,132,190
Expenses		
Instruction-related	243,392,730	203,267,531
Pupil services	56,462,307	47,824,780
Administration	25,190,234	25,126,196
Plant services	45,492,464	39,293,308
All other services	23,768,266	21,543,354
Total expenses	394,306,001	337,055,169
Change in net position	\$ 84,514,888	\$ 39,077,021

* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$394,306,001. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$58,238,713 because the cost was paid by those who benefited from the programs (\$595,523) or by other governments and organizations who subsidized certain programs with grants and contributions (\$163,333,649). We paid for the remaining "public benefit" portion of our governmental activities with \$246,552,473 in State funds, and with \$10,100,531 in other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022 *	2023	2022 *
Instruction-related	\$ 243,392,730	\$ 203,267,531	\$ (138,587,689)	\$ (151,891,224)
Pupil services	56,462,307	47,824,780	(24,893,537)	(22,096,686)
Administration	25,190,234	25,126,196	(17,663,375)	(18,515,244)
Plant services	45,492,464	39,293,308	(29,491,811)	(33,481,728)
All other services	23,768,266	21,543,354	(19,740,417)	(19,242,750)
Total	\$ 394,306,001	\$ 337,055,169	\$ (230,376,829)	\$ (245,227,632)

* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$255,671,023, which is an increase of \$72,107,091, or 39.3% from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2022 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2023
General Fund	\$ 89,064,191	\$ 430,591,127	\$ 362,554,536	\$ 157,100,782
Student Activity Fund	776,042	1,542,393	1,563,702	754,733
Adult Education Fund	192,011	901,423	892,238	201,196
Child Development Fund	683,203	4,498,984	4,485,457	696,730
Cafeteria Fund	2,155,083	19,019,890	15,252,846	5,922,127
Building Fund	20,000,293	374,281	2,179,806	18,194,768
Capital Facilities Fund	15,509,767	1,309,399	5,065,545	11,753,621
County School Facilities Fund	20,079,222	3,317,578	162,008	23,234,792
Special Reserve Fund for Capital Outlay Projects	14,022,644	6,316,731	3,245,638	17,093,737
Capital Projects Fund for Blended Component Units	101	-	-	101
Bond Interest and Redemption Fund	21,081,375	12,467,468	12,830,407	20,718,436
Total	\$ 183,563,932	\$ 480,339,274	\$ 408,232,183	\$ 255,671,023

The primary reasons for these increases are:

- The General Fund is the principal operating fund. The fund balance in the General Fund increased \$68 million to \$157.1 million. This increase is due to unspent COVID-19 related funding received to mitigate the effect of COVID-19 and learning loss, restricted one-time carryover and unrestricted one-time carryover.

CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

At June 30, 2023, the District had \$412,187,624 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization), including land and construction in progress, land improvements, buildings and improvements, furniture and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net decrease (including additions, deductions, and depreciation and amortization expenses) of \$2,521,501, or 0.6%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022 as restated
Land and construction in progress	\$ 58,449,686	\$ 70,163,713
Land improvements	182,382,129	181,417,676
Buildings and improvements	156,352,914	145,597,647
Furniture and equipment	9,876,983	10,660,895
Right-to-use leased assets	2,902,605	3,844,961
Right-to-use subscription IT assets	2,223,307	3,024,233
Total	\$ 412,187,624	\$ 414,709,125

We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in the Notes to the Financial Statements.

Long-Term Liabilities other than OPEB and Pension

At the end of this year, the District had \$254,905,270 in long-term liabilities other than OPEB and pension versus \$260,748,121 last year, resulting in a decrease of \$5,842,851, or 2.2%, from last year. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2023	2022 as restated
Long-Term Liabilities		
General obligation bonds	\$ 222,655,653	\$ 225,663,579
Unamortized debt premiums	11,015,728	11,659,648
Leases	2,985,261	3,866,281
Subscription-based IT arrangements	1,382,331	1,839,060
Finance purchase agreement	5,926,089	6,203,652
Supplemental early retirement plan	2,611,954	3,917,931
Claims liability	5,220,677	4,684,235
Compensated absences	3,107,577	2,913,735
Total	\$ 254,905,270	\$ 260,748,121

The District presents more detailed information of our long-term liabilities other than OPEB and pension in the Notes to the Financial Statements.

OPEB and Net Pension Liabilities

At year-end, the District had a net other postemployment benefit (OPEB) liability of \$72,774,098 versus \$79,371,095 last year, a decrease of \$6,596,997, or 8.3%.

In addition, the District has an aggregate net pension liability of \$247,790,956 versus \$160,101,736 last year, an increase of \$87,689,220, or 54.8%.

The District presents more detailed information of OPEB and pension liabilities in the Notes to the Financial Statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

On July 10, 2023, Governor Gavin Newsom signed the budget which includes the following major funding provisions.

- Cost-of-living adjustment (COLA) remains at 8.22% for the Local Control Funding Formula (LCFF)
- 1.1 billion reduction to the Learning Recovery Emergency Block Grant
- \$300 million (ongoing) increase to create an LCFF Equity Multiplier intended to close opportunity gaps. These funds will be allocated to schools serving more than 70% socioeconomically disadvantaged students and more than 25% transient students.
- Multiple changes to Local Control Accountability Plan (LCAP) requirements including new requirements to add focused goals to address educator preparation and student performance for schools receiving Equity Multiplier funding.
- 200 million reduction to the Arts, Music, and Instructional Materials Discretionary Block Grant
- \$248 million (one-time) increase to expand participation in the Literacy Coaches and Reading Specialist Grant Program.
- \$100 million decrease in the School Facility Program in 2023-24, reducing the allocation from approximately \$2.1 billion to approximately \$2.0 billion.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Colton Joint Unified School District
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Deposits and investments	\$ 290,738,153
Receivables	35,875,862
Prepaid expense	97,148
Stores inventories	432,548
Lease receivables	322,225
Capital assets not depreciated	58,449,686
Capital assets, net of accumulated depreciation	348,612,026
Right-to-use leased assets, net of accumulated amortization	2,902,605
Right-to-use subscription IT assets, net of accumulated amortization	2,223,307
Total assets	739,653,560
Deferred Outflows of Resources	
Deferred charge on refunding	7,475,477
Deferred outflows of resources related to OPEB	12,881,352
Deferred outflows of resources related to pensions	70,297,365
Total deferred outflows of resources	90,654,194
Liabilities	
Accounts payable	40,687,741
Accrued interest payable	2,110,517
Unearned revenue	12,093,919
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	13,316,809
Long-term liabilities other than OPEB and pensions due in more than one year	241,588,461
Net other postemployment benefits (OPEB) liability	72,774,098
Aggregate net pension liability	247,790,956
Total liabilities	630,362,501
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	25,798,630
Deferred inflows of resources related to pensions	31,191,218
Deferred inflows of resources related to leases	322,225
Total deferred inflows of resources	57,312,073
Net Position	
Net investment in capital assets	234,995,900
Restricted for	
Debt service	18,607,919
Capital projects	34,988,413
Educational programs	86,044,378
Self-insurance	13,470,351
Child nutrition	5,840,137
Other activities	1,408,911
Unrestricted (deficit)	(252,722,829)
Total net position	\$ 142,633,180

Colton Joint Unified School District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 208,558,372	\$ 530	\$ 88,830,602	\$ 3,317,579	\$ (116,409,661)
Instruction-related activities					
Supervision of instruction	11,728,000	433	5,810,824	-	(5,916,743)
Instructional library, media, and technology	3,653,064	-	692,073	-	(2,960,991)
School site administration	19,453,294	539	6,152,461	-	(13,300,294)
Pupil services					
Home-to-school transportation	6,879,498	-	2,765,648	-	(4,113,850)
Food services	16,342,680	55,291	18,846,830	-	2,559,441
All other pupil services	33,240,129	25,990	9,875,011	-	(23,339,128)
Administration					
Data processing	9,867,032	-	1,663,844	-	(8,203,188)
All other administration	15,323,202	3,125	5,859,890	-	(9,460,187)
Plant services	45,492,464	17,467	15,983,186	-	(29,491,811)
Ancillary services	5,086,019	-	1,612,930	-	(3,473,089)
Community services	308,985	-	-	-	(308,985)
Enterprise services	6,235	-	11,556	-	5,321
Interest on long-term liabilities	10,290,839	-	-	-	(10,290,839)
Other outgo	8,076,188	492,148	1,911,215	-	(5,672,825)
Total governmental activities	<u>\$ 394,306,001</u>	<u>\$ 595,523</u>	<u>\$ 160,016,070</u>	<u>\$ 3,317,579</u>	<u>(230,376,829)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					41,108,809
Property taxes, levied for debt service					12,067,992
Taxes levied for other specific purposes					5,061,912
Federal and State aid not restricted to specific purposes					246,552,473
Interest, investment earnings and fair market valuation adjustment					893,264
Miscellaneous					<u>9,207,267</u>
Subtotal, general revenues and subventions					<u>314,891,717</u>
Change in Net Position					84,514,888
Net Position - Beginning, as restated					<u>58,118,292</u>
Net Position - Ending					<u>\$ 142,633,180</u>

Colton Joint Unified School District

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Deposits and investments	\$ 172,157,017	\$ 96,153,205	\$ 268,310,222
Receivables	32,031,712	3,688,014	35,719,726
Due from other funds	6,485,256	2,378,730	8,863,986
Prepaid expenditures	97,148	-	97,148
Stores inventories	375,558	56,990	432,548
Lease receivables	322,225	-	322,225
	<u>322,225</u>	<u>-</u>	<u>322,225</u>
Total assets	<u>\$ 211,468,916</u>	<u>\$ 102,276,939</u>	<u>\$ 313,745,855</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 37,912,951	\$ 2,635,796	\$ 40,548,747
Due to other funds	4,039,039	1,070,902	5,109,941
Unearned revenue	12,093,919	-	12,093,919
	<u>12,093,919</u>	<u>-</u>	<u>12,093,919</u>
Total liabilities	<u>54,045,909</u>	<u>3,706,698</u>	<u>57,752,607</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to leases	322,225	-	322,225
	<u>322,225</u>	<u>-</u>	<u>322,225</u>
Fund Balances			
Nonspendable	547,706	81,990	629,696
Restricted	86,044,378	81,150,766	167,195,144
Assigned	42,467,098	17,337,485	59,804,583
Unassigned	28,041,600	-	28,041,600
	<u>28,041,600</u>	<u>-</u>	<u>28,041,600</u>
Total fund balances	<u>157,100,782</u>	<u>98,570,241</u>	<u>255,671,023</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 211,468,916</u>	<u>\$ 102,276,939</u>	<u>\$ 313,745,855</u>

Colton Joint Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balance - Governmental Funds \$ 255,671,023

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

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

The cost of capital assets is	\$ 613,647,953
Accumulated depreciation is	<u>(206,586,241)</u>

Net capital assets	407,061,712
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Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of right-to-use leased assets is	4,197,115
Accumulated amortization is	<u>(1,294,510)</u>

Net right-to-use leased assets	2,902,605
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Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of right-to-use subscription IT assets is	3,909,362
Accumulated amortization is	<u>(1,686,055)</u>

Net right-to-use subscription IT assets	2,223,307
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. (2,110,517)

An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position. 13,470,351

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	7,475,477
Net other postemployment benefits (OPEB) liability	12,881,352
Aggregate net pension liability	<u>70,297,365</u>

Total deferred outflows of resources	90,654,194
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Colton Joint Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to

Net other postemployment benefits (OPEB) liability	\$ (25,798,630)
Aggregate net pension liability	<u>(31,191,218)</u>

Total deferred inflows of resources	\$ (56,989,848)
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Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(247,790,956)
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The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(72,774,098)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	(181,552,661)
Unamortized premium on issuance	(11,015,728)
Leases	(2,985,261)
Subscription-based IT arrangements	(1,382,331)
Financed purchase agreement	(5,926,089)
Supplemental early retirement plan	(2,611,954)
Compensated absences (vacations)	(3,107,577)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(41,102,992)</u>
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Total long-term liabilities	<u>(249,684,593)</u>
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Total net position - governmental activities	<u><u>\$ 142,633,180</u></u>
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Colton Joint Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local Control Funding Formula	\$ 279,155,654	\$ -	\$ 279,155,654
Federal sources	37,112,986	15,348,765	52,461,751
Other State sources	92,746,000	11,267,320	104,013,320
Other local sources	20,753,905	22,447,086	43,200,991
Total revenues	<u>429,768,545</u>	<u>49,063,171</u>	<u>478,831,716</u>
Expenditures			
Current			
Instruction	205,324,356	3,295,157	208,619,513
Instruction-related activities			
Supervision of instruction	11,600,791	38,167	11,638,958
Instructional library, media, and technology	3,647,127	-	3,647,127
School site administration	17,954,863	900,460	18,855,323
Pupil services			
Home-to-school transportation	6,891,056	-	6,891,056
Food services	282,468	14,955,179	15,237,647
All other pupil services	32,087,755	700,562	32,788,317
Administration			
Data processing	9,083,082	-	9,083,082
All other administration	14,389,692	590,411	14,980,103
Plant services	41,985,511	337,062	42,322,573
Ancillary services	2,976,105	1,563,702	4,539,807
Community services	308,985	-	308,985
Other outgo	3,397,655	-	3,397,655
Enterprise services	11,555	-	11,555
Facility acquisition and construction	5,376,817	10,160,240	15,537,057
Debt service			
Principal	2,143,374	7,884,520	10,027,894
Interest and other	414,811	5,252,187	5,666,998
Total expenditures	<u>357,876,003</u>	<u>45,677,647</u>	<u>403,553,650</u>
Excess of Revenues Over Expenditures	<u>71,892,542</u>	<u>3,385,524</u>	<u>75,278,066</u>
Other Financing Sources (Uses)			
Transfers in	-	684,976	684,976
Other sources - proceeds from SBITAs	822,582	-	822,582
Transfers out	(4,678,533)	-	(4,678,533)
Net Financing Sources (Uses)	<u>(3,855,951)</u>	<u>684,976</u>	<u>(3,170,975)</u>
Net Change in Fund Balances	68,036,591	4,070,500	72,107,091
Fund Balance - Beginning, as restated	<u>89,064,191</u>	<u>94,499,741</u>	<u>183,563,932</u>
Fund Balance - Ending	<u>\$ 157,100,782</u>	<u>\$ 98,570,241</u>	<u>\$ 255,671,023</u>

Colton Joint Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 72,107,091
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because	
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which depreciation and amortization expense exceed capital outlay in the period.</p>	
Depreciation and amortization expense	\$ (15,718,314)
Capital outlay	<u>13,196,813</u>
Net expense adjustment	(2,521,501)
<p>Right-to-use subscription IT assets acquired this year were financed with Subscription-based IT arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.</p>	
	(822,582)
<p>In the Statement of Activities, certain operating expenses, such as supplemental early retirement plans are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between supplemental early retirement plans earned and used.</p>	
	1,305,977
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.</p>	
	(193,842)
<p>In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.</p>	
	12,787,049

Colton Joint Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.	\$ (796,491)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	643,920
Deferred charge on refunding amortization	(819,816)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	7,590,000
Leases	881,020
Subscription-based IT arrangements	1,279,311
Financed purchase agreement	277,563
Payment of rebate liabilities are an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	(4,447,945)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	<u>(2,754,866)</u>
Change in net position of governmental activities	<u>\$ 84,514,888</u>

Colton Joint Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2023

	Internal Service Fund
Assets	
Current assets	
Deposits and investments	\$ 22,427,931
Receivables	156,136
Due from other funds	1,660,309
Total current assets	24,244,376
Liabilities	
Current liabilities	
Accounts payable	138,994
Due to other funds	5,414,354
Current portion of claims liability	1,296,759
Total current liabilities	6,850,107
Noncurrent liabilities	
Claims liability	3,923,918
Total liabilities	10,774,025
Net Position	
Restricted	\$ 13,470,351

Colton Joint Unified School District
Statement of Revenues, Expenses, and Change in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

	Internal Service Fund
Operating Revenues	
Charges for services	\$ 693,651
Operating Expenses	
Payroll costs	3,107,845
Supplies and materials	56,154
Provision (credit) for claims and claim adjustment expense	536,442
Other operating cost	4,069,657
Total operating expenses	7,770,098
Operating Loss	(7,076,447)
Nonoperating Revenues	
Fair market value adjustments	(135,313)
Interest income	463,337
Total nonoperating revenues	328,024
Transfers in	3,993,557
Change in Net Position	(2,754,866)
Total Net Position - Beginning	16,225,217
Total Net Position - Ending	\$ 13,470,351

Colton Joint Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

	Internal Service Fund
Operating Activities	
Cash receipts from interfund services provided	\$ 4,190,263
Cash payments to other suppliers of goods or services	(56,154)
Cash payments to employees for services	(3,107,845)
Other operating cash payments	(4,033,021)
	(3,006,757)
Net Cash Used for Operating Activities	
Investing Activities	
Fair market value adjustments	(135,313)
Interest on investments	463,337
	328,024
Net Cash From Investing Activities	
Noncapital Financing Activities	
Transfer in from other funds	3,993,557
	1,314,824
Net Change in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning	21,113,107
Cash and Cash Equivalents, Ending	\$ 22,427,931
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating loss	\$ (7,076,447)
Adjustments to reconcile operating loss to net cash used for operating activities	
Changes in assets and liabilities	
Receivables	(63,167)
Due from other fund	1,153,179
Accounts payable	36,636
Due to other fund	2,406,600
Claims liability	536,442
	536,442
Net Cash Used for Operating Activities	\$ (3,006,757)

Colton Joint Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 5,565,137</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 5,565,137</u>

Colton Joint Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2023

	Custodial Funds
Additions	
Contributions	
Collections from property owners	\$ 775,749
Interest	73,162
	848,911
Total contributions	848,911
Deductions	
Payments to investors	609,345
Other expenditures	17,208
	626,553
Total deductions	626,553
Net Increase In Fiduciary Net Position	222,358
Net Position - Beginning	5,342,779
Net Position - Ending	\$ 5,565,137

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

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

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

Component Units

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in revenues and fund balance of \$8,383.

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities* except for depreciation and amortization of leased assets and subscription IT assets.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

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

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

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school

members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charge on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related to leases, for pension related items, and for OPEB related items

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

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

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

Subscriptions

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the District measures the subscription liability at the present value of payments expected to be made during the

subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset. The amortization period varies from two to three years.

Fund Balances - Governmental Funds

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$160,360,109 of restricted net position which is restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 18 and the additional disclosures required by this standard are included in Notes 5 and 10.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 268,310,222
Proprietary funds	22,427,931
Fiduciary funds	<u>5,565,137</u>
Total deposits and investments	<u><u>\$ 296,303,290</u></u>

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 760,733
Cash in revolving	100,000
Cash with fiscal agent	542,000
Investments	<u>294,900,557</u>
Total deposits and investments	<u><u>\$ 296,303,290</u></u>

Policies and Practices

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

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

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

General Authorizations

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

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

Interest Rate Risk

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

Specific Identification

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

Investment Type	Reported Amount	Average Maturity in Days
U.S. Bank - Money Market	\$ 841,263	Demand
Local Agency Investment Fund	139,960	260
San Bernardino County Treasury Investment Pool	293,919,334	539
Total	\$ 294,900,557	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Treasury Investment Pool are rated AA+ by Fitch Ratings. The District's investments in the U.S. Bank Money Market and Local Agency Investment Fund are not required to be rated, nor have they been rated as of June 30, 2023.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of \$1,118,054 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - 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 data 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.

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Reported Amount	Level 1 Inputs
U.S. Bank - Money Market	\$ 841,263	\$ 841,263
Investments not measured for fair value or subject to fair value hierarchy		
Local Agency Investment Fund		\$ 139,960
San Bernardino County Treasury Investment Pool		293,919,334
Total investments		<u>\$ 294,900,557</u>

Note 4 - Receivables

Receivables at June 30, 2023, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund
Federal Government				
Categorical aid	\$ 21,245,190	\$ 1,996,477	\$ 23,241,667	\$ -
State Government				
Categorical aid	6,303,657	913,503	7,217,160	-
Lottery	1,038,546	-	1,038,546	-
Special education	2,095,556	-	2,095,556	-
Local Government				
Interest	1,089,487	578,833	1,668,320	156,136
Other local sources	259,276	199,201	458,477	-
Total	<u>\$ 32,031,712</u>	<u>\$ 3,688,014</u>	<u>\$ 35,719,726</u>	<u>\$ 156,136</u>

Note 5 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 40,941,444	\$ -	\$ -	\$ 40,941,444
Construction in progress	29,222,269	8,554,467	(20,268,494)	17,508,242
Total capital assets not being depreciated	<u>70,163,713</u>	<u>8,554,467</u>	<u>(20,268,494)</u>	<u>58,449,686</u>
Capital assets being depreciated				
Land improvements	234,252,720	6,544,667	-	240,797,387
Buildings and improvements	267,670,102	16,368,297	-	284,038,399
Furniture and equipment	29,249,734	1,112,747	-	30,362,481
Total capital assets being depreciated	<u>531,172,556</u>	<u>24,025,711</u>	<u>-</u>	<u>555,198,267</u>
Total capital assets	<u>601,336,269</u>	<u>32,580,178</u>	<u>(20,268,494)</u>	<u>613,647,953</u>
Accumulated depreciation				
Land improvements	(52,835,044)	(5,580,214)	-	(58,415,258)
Buildings and improvements	(122,072,455)	(5,613,030)	-	(127,685,485)
Furniture and equipment	(18,588,839)	(1,896,659)	-	(20,485,498)
Total accumulated depreciation	<u>(193,496,338)</u>	<u>(13,089,903)</u>	<u>-</u>	<u>(206,586,241)</u>
Net depreciable capital assets	<u>337,676,218</u>	<u>10,935,808</u>	<u>-</u>	<u>348,612,026</u>
Right-to-use leased assets being amortized				
Buildings and improvements	600,820	-	-	600,820
Furniture and equipment	3,596,295	-	-	3,596,295
Total right-to-use leased assets being amortized	<u>4,197,115</u>	<u>-</u>	<u>-</u>	<u>4,197,115</u>
Accumulated amortization				
Buildings and improvements	(300,411)	(300,409)	-	(600,820)
Furniture and equipment	(51,743)	(641,947)	-	(693,690)
Total accumulated amortization	<u>(352,154)</u>	<u>(942,356)</u>	<u>-</u>	<u>(1,294,510)</u>
Net right-to-use leased assets	<u>3,844,961</u>	<u>(942,356)</u>	<u>-</u>	<u>2,902,605</u>
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	3,024,233	885,129	-	3,909,362
Accumulated amortization	-	(1,686,055)	-	(1,686,055)
Net right-to-use subscription IT assets	<u>3,024,233</u>	<u>(800,926)</u>	<u>-</u>	<u>2,223,307</u>
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	<u>\$ 414,709,125</u>	<u>\$ 17,746,993</u>	<u>\$ (20,268,494)</u>	<u>\$ 412,187,624</u>

Depreciation and amortization expense were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 11,371,507
School site administration	710,223
Food services	1,170,946
All other pupil services	255,116
Ancillary Services	510,231
Data processing	1,036,018
All other administration	493,304
Plant services	170,969
	<u>15,718,314</u>
Total depreciation and amortization expense governmental activities	<u>\$ 15,718,314</u>

Note 6 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivables	July 1, 2022	Addition	Deletion	June 30, 2023
Office Space (1)	\$ 133,926	\$ -	\$ (133,926)	\$ -
Office Space (2)	206,127	-	(87,680)	118,447
Office Space (3)	187,365	-	(86,542)	100,823
Office Space (4)	270,965	-	(168,010)	102,955
	<u>798,383</u>	<u>-</u>	<u>(476,158)</u>	<u>322,225</u>
Total	<u>\$ 798,383</u>	<u>\$ -</u>	<u>\$ (476,158)</u>	<u>\$ 322,225</u>

Office Space (1)

The District entered an agreement to lease office space for a term of two years. The agreement allows for 3.00% annual increases to the lease payments and either party may terminate the agreement upon providing written notice within an agreed upon number of days. The District is reasonably certain that the licensee will not exercise the termination option. During the fiscal year, the District recognized \$133,926 in lease revenue and \$2,693 in interest revenue related to the agreement. The District used an interest rate of 4.00% based on the rates available to finance real estate or machinery and equipment over the same time periods. The lease has been received in its entirety at June 30, 2023.

Office Space (2)

The District entered an agreement to lease office space for a term of six years. The agreement allows for 3.00% annual increases to the lease payments and either party may terminate the agreement upon providing written notice within an agreed upon number of days. The District is reasonably certain that the licensee will not exercise the termination option. During the fiscal year, the District recognized \$87,680 in lease revenue and \$6,660 in interest revenue related to the agreement. At June 30, 2023, the District recorded \$118,447 in lease receivable and deferred inflow of resources for this arrangement. The District used an interest rate of 4.00% based on the rates available to finance real estate or machinery and equipment over the same time periods.

Office Space (3)

The District entered an agreement to lease office space for a term of six years. The agreement allows for 3.00% annual increases to the lease payments and either party may terminate the agreement upon providing written notice within an agreed upon number of days. The District is reasonably certain that the licensee will not exercise the termination option. During the fiscal year, the District recognized \$86,542 in lease revenue and \$5,923 in interest revenue related to the agreement. At June 30, 2023, the District recorded \$100,823 in lease receivable and deferred inflow of resources for this arrangement. The District used an interest rate of 4.00% based on the rates available to finance real estate or machinery and equipment over the same time periods.

Office Space (4)

The District entered an agreement to lease office space for a term of three years. The agreement allows for 3.00% annual increases to the lease payments and either party may terminate the agreement upon providing written notice within an agreed upon number of days. The District is reasonably certain that the licensee will not exercise the termination option. During the fiscal year, the District recognized \$168,010 in lease revenue and \$7,806 in interest revenue related to the agreement. At June 30, 2023, the District recorded \$102,955 in lease receivable and deferred inflow of resources for this arrangement. The District used an interest rate of 4.00% based on the rates available to finance real estate or machinery and equipment over the same time periods.

Note 7 - Interfund Transactions**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2023, between major, non-major governmental funds and the internal service fund are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 1,070,902	\$ 5,414,354	\$ 6,485,256
Non-Major Governmental Funds	2,378,730	-	-	2,378,730
Internal Service Fund	1,660,309	-	-	1,660,309
Total	<u>\$ 4,039,039</u>	<u>\$ 1,070,902</u>	<u>\$ 5,414,354</u>	<u>\$ 10,524,295</u>

A balance of \$342,268 is due from the General Fund to the Non-Major Governmental Child Development Fund for operating contributions.

A balance of \$83,157 is due from the General Fund to the Non-Major Governmental Cafeteria Fund for employee benefits and Think Together Summer PM snack costs.

A balance of \$1,953,134 is due from the General Fund to the Non-Major Governmental Special Reserve Fund for Capital Outlay Projects for Redevelopment Agency revenues.

The balance of \$1,660,309 is due from the General Fund to the Internal Service Fund for a contribution for open insurance claims.

A balance of \$70,753 is due from the Non-Major Governmental Child Development Fund to the General Fund for employee benefits and indirect cost

A balance of \$958,813 is due from the Non-Major Governmental Cafeteria Fund to the General Fund for employee benefits, temporary loans, indirect costs, and operating costs.

The balance of \$5,414,354 is due from the Internal Service Fund to the General Fund for employee benefits.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions and an in-kind match.	\$ 684,976
The General Fund transferred to the Internal Service Fund a contribution for open claims.	<u>3,993,557</u>
Total	<u><u>\$ 4,678,533</u></u>

Note 8 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund
Vendor payables	\$ 15,657,330	\$ 2,416,275	\$ 18,073,605	\$ 132,554
LCFF apportionment	2,288,501	-	2,288,501	-
Salaries and benefits	14,336,104	219,488	14,555,592	6,440
Due to regional occupational program	592,497	-	592,497	-
Due to CDE	<u>5,038,519</u>	<u>33</u>	<u>5,038,552</u>	<u>-</u>
Total	<u><u>\$ 37,912,951</u></u>	<u><u>\$ 2,635,796</u></u>	<u><u>\$ 40,548,747</u></u>	<u><u>\$ 138,994</u></u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

	Governmental Activities
Federal financial assistance	\$ 10,972,667
State categorical aid	1,121,252
Total	\$ 12,093,919

Note 10 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 225,663,579	\$ 4,582,074	\$ (7,590,000)	\$ 222,655,653	\$ 8,440,000
Unamortized debt premiums	11,659,648	-	(643,920)	11,015,728	-
Leases	3,866,281	-	(881,020)	2,985,261	743,300
Subscription-based IT arrangements	1,839,060	822,582	(1,279,311)	1,382,331	1,242,704
Financed purchase agreement	6,203,652	-	(277,563)	5,926,089	288,069
Supplemental early retirement plan	3,917,931	-	(1,305,977)	2,611,954	1,305,977
Claims liability	4,684,235	1,833,201	(1,296,759)	5,220,677	1,296,759
Compensated absences	2,913,735	193,842	-	3,107,577	-
Total	\$ 260,748,121	\$ 7,431,699	\$ (13,274,550)	\$ 254,905,270	\$ 13,316,809

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the leases are made from the General Fund, the Cafeteria Fund and the Capital Facilities Fund. Payments for the financed purchase agreement, the subscription-based IT arrangements, and the supplemental early retirement plan are made from the General Fund. The claims liability will be paid by the Internal Service Fund. The compensated absences will be paid by the General Fund, the Adult Education Fund, the Child Development Fund, the Cafeteria Fund, the Building Fund, and the Self-Insurance Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
7/14/2004	2/1/2029	2.00-5.89%	\$ 23,177,726	\$ 6,262,338	\$ 421,332	\$ -	\$ 6,683,670
1/11/2006	2/1/2038	3.17-5.12%	50,122,151	4,025,158	328,930	-	4,354,088
8/31/2010	8/1/2046	5.00-12.00%	41,938,348	56,780,607	3,763,629	-	60,544,236
7/7/2011	8/1/2026	5.458-6.008%	11,900,000	4,750,000	-	-	4,750,000
5/31/2012	8/1/2026	2.00-5.00%	22,190,000	1,560,000	-	(1,560,000)	-
5/1/2013	8/1/2027	2.00-5.00%	38,625,000	6,105,000	-	(3,090,000)	3,015,000
2/25/2016	2/1/2036	2.00-5.00%	19,010,000	19,010,000	-	-	19,010,000
8/2/2016	8/1/2044	2.00-4.00%	24,645,000	22,125,000	-	(370,000)	21,755,000
8/2/2016	8/1/2046	2.00-5.00%	51,540,000	47,270,000	-	(1,935,000)	45,335,000
10/14/2020	8/1/2046	0.50-4.00%	14,997,444	14,080,476	68,183	-	14,148,659
10/14/2020	8/1/2035	0.437-2.371%	44,550,000	43,695,000	-	(635,000)	43,060,000
				<u>\$ 225,663,579</u>	<u>\$ 4,582,074</u>	<u>\$ (7,590,000)</u>	<u>\$ 222,655,653</u>

2001 General Obligation Bonds, Series B

On July 14, 2004, the District issued the 2001 General Obligation Bonds, Series B in the amount of \$23,177,726. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$7,542,274, and an aggregate principal debt service balance of \$30,720,000. The bonds have a final maturity to occur on February 1, 2029, with interest rates ranging from 2.00 to 5.89%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2023, the principal balance outstanding on the 2001 General Obligation Bonds, Series B was \$6,683,670.

2001 General Obligation Bonds, Series C

On January 11, 2006, the District issued the 2001 General Obligation Bonds, Series C in the amount of \$50,122,151. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$49,472,849, and an aggregate principal debt service balance of \$99,595,000. The bonds have a final maturity to occur on February 1, 2038, with interest rates ranging from 3.17 to 5.12%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2023, the principal balance outstanding on the 2001 General Obligation Bonds, Series C was \$4,354,088.

2008 General Obligation Bonds, Series B

On August 31, 2010, the District issued the 2008 General Obligation Bonds, Series B in the amount of \$41,938,348. The bonds were issued as current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds with the value of the capital appreciation bonds accreting \$151,282,707, and an aggregate principal debt service balance of \$193,221,056. The bonds have a final maturity to occur on August 1, 2046, with interest rates ranging from 5.00 to 12.00%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2023, the principal balance outstanding on the 2008 General Obligation Bonds, Series B was \$60,544,236.

2008 General Obligation Bonds, Series C

On July 7, 2011, the District issued the 2008 General Obligation Bonds, Series C in the amount of \$11,900,000. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2026, with interest rates ranging from 5.458 to 6.008%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2023, the principal balance outstanding on the 2008 General Obligation Bonds, Series C was \$4,750,000 and unamortized premium on issuance was \$784,778.

2012 General Obligation Refunding Bonds

On May 31, 2012, the District issued the 2012 General Obligation Refunding Bonds in the amount of \$22,190,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2026, with interest rates ranging from 2.00 to 5.00%. The outstanding principal balance has been paid in its entirety as of June 30, 2023.

2013 General Obligation Refunding Bonds

On May 1, 2013, the District issued the 2013 General Obligation Refunding Bonds in the amount of \$38,625,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2027, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2023, the principal balance outstanding on the 2013 General Obligation Refunding Bonds was \$3,015,000.

2016 General Obligation Refunding Bonds

On February 25, 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of \$19,010,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2036, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2023, the principal balance outstanding on the 2016 General Obligation Refunding Bonds was \$19,010,000 and unamortized premium on issuance was \$1,179,072.

2008 General Obligation Bonds, Series D

On August 2, 2016, the District issued the 2008 General Obligation Bonds, Series D in the amount of \$24,645,000. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2044, with interest rates ranging from 2.00 to 4.00%. The net proceeds of the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2023, the principal balance outstanding on the 2008 General Obligation Bonds, Series D was \$21,755,000 and unamortized premium on issuance was \$1,589,482.

2016 General Obligation Refunding Bonds, Series B

On August 2, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series B in the amount of \$51,540,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2046, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2023, the principal balance outstanding on the 2016 General Obligation Refunding Bonds, Series B was \$45,335,000 and unamortized premium on issuance and deferred charge on refunding were \$5,969,662 and \$4,399,968, respectively.

2008 General Obligation Bonds, Series E

On October 14, 2020, the District issued the 2008 General Obligation Bonds, Series E in the amount of \$14,997,444. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$1,692,556, and an aggregate principal debt service balance of \$16,690,000. The bonds have a final maturity to occur on August 1, 2046, with interest rates ranging from 0.50 to 4.00%. The net proceeds of the issuance will be used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. As of June 30, 2023, the principal balance outstanding on the 2008 General Obligation Bonds, Series E was \$14,148,659 and unamortized premium on issuance was \$1,492,734.

2020 General Obligation Refunding Bonds

On October 14, 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of \$44,550,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2035, with interest rates ranging from 0.437 to 2.371%. The net proceeds were used to advance refund portions of the District's outstanding 2008 General Obligation Bonds Series B, 2012 General Obligation Refunding Bonds, and 2013 General Obligation Refunding Bonds, and to pay the costs of issuance associated with the refunding bonds. As of June 30, 2023, the principal balance outstanding on the 2020 General Obligation Refunding Bonds was \$43,060,000 and deferred charge on refunding was \$3,075,509.

Debt Service Requirements to Maturity

The bonds mature through 2047 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2024	\$ 8,426,980	\$ 13,020	\$ 4,922,229	\$ 13,362,229
2025	8,998,815	76,185	4,690,151	13,765,151
2026	9,439,229	185,771	4,501,032	14,126,032
2027	14,722,536	347,464	4,139,457	19,209,457
2028	13,237,899	747,101	3,733,241	17,718,241
2029-2033	48,071,562	6,918,438	14,612,642	69,602,642
2034-2038	57,961,063	25,346,647	6,321,529	89,629,239
2039-2043	29,124,483	49,195,663	3,567,450	81,887,596
2044-2047	32,673,086	41,835,114	1,995,150	76,503,350
Total	\$ 222,655,653	\$ 124,665,403	\$ 48,482,881	\$ 395,803,937

Leases

The District has entered into agreements to lease relocatable classrooms and equipment. As of June 30, 2023, the District recognized right-to-use assets totaling \$2,902,605 and lease liabilities totaling \$2,985,261 related to these agreements. The District is required to make principal and interest payments through June 2027 and the lease agreements have a discount rate of 4.0%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 743,300	\$ 105,960	\$ 849,260
2025	755,127	75,863	830,990
2026	779,619	45,283	824,902
2027	707,215	14,040	721,255
Total	\$ 2,985,261	\$ 241,146	\$ 3,226,407

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into SBITAs for the use of instructional, data management, and student information software. At June 30, 2023, the District has recognized total right-to-use subscription IT assets of \$1,474,253 and total SBITA liabilities of \$1,382,331 related to these agreements. During the fiscal year, the District recorded \$1,187,319 in amortization expense. The District is required to make annual principal and interest payments through July 2024. The subscriptions have an interest rate of 4.0%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,242,704	\$ 55,293	\$ 1,297,997
2025	139,627	5,584	145,211
Total	<u>\$ 1,382,331</u>	<u>\$ 60,877</u>	<u>\$ 1,443,208</u>

Financed Purchase Agreement

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 288,069	\$ 219,553	\$ 507,622
2025	298,973	208,649	507,622
2026	310,289	197,332	507,621
2027	322,034	185,587	507,621
2028	334,224	173,398	507,622
2029-2033	1,870,736	667,373	2,538,109
2034-2038	2,252,624	285,485	2,538,109
2039	249,140	4,671	253,811
Total	<u>\$ 5,926,089</u>	<u>\$ 1,942,048</u>	<u>\$ 7,868,137</u>

Supplemental Early Retirement Plan (SERP)

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

Year Ending June 30,	Payment
2024	\$ 1,305,977
2025	1,305,977
Total	<u>\$ 2,611,954</u>

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2023, amounted to \$5,220,677, using a discount factor of 1.00%.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$3,107,577.

Note 11 - 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 \$8,210,000 as of June 30, 2023, does not represent debt of the District and, as such, does not appear in the financial statements.

Note 12 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 71,756,985	\$ 12,881,352	\$ 25,798,630	\$ 4,498,830
Medicare Premium Payment (MPP) Program	<u>1,017,113</u>	<u>-</u>	<u>-</u>	<u>(266,207)</u>
Total	<u>\$ 72,774,098</u>	<u>\$ 12,881,352</u>	<u>\$ 25,798,630</u>	<u>\$ 4,232,623</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	220
Active employees	<u>1,959</u>
Total	<u><u>2,179</u></u>

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Association of Colton Educators (ACE), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ACE, CSEA, and the unrepresented groups. For measurement period of June 30, 2022, the District paid \$4,106,800 in benefits.

Total OPEB Liability of the District

The District’s total OPEB liability of \$71,756,985 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Discount rate	3.69%
Healthcare cost trend rates	5.75% for 2022, decreasing to an ultimate rate of 4.00 percent for 2070 and later years

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

Mortality rates were based on the CalSTRS Experience Analysis (2015-2018) for certificated employees and the CalPERS Experience Study (2000-2019) for classified employees.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2021	<u>\$ 78,087,775</u>
Service cost	5,380,177
Interest	1,563,347
Changes of assumptions	(9,167,514)
Benefit payments	<u>(4,106,800)</u>
Net change in total OPEB liability	<u>(6,330,790)</u>
Balance, June 30, 2022	<u><u>\$ 71,756,985</u></u>

Changes of assumptions reflect a change in the discount rate from 1.92% in 2021 to 3.69% in 2022 and a change in the healthcare cost trend rate from 6.00% in 2021 to 5.75% in 2022.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.69%)	\$ 76,880,299
Current discount rate (3.69%)	71,756,985
1% increase (4.69%)	66,834,620

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.75% for 2022, decreasing to an ultimate rate of 3.00% for 2070 and later years)	\$ 63,355,010
Current healthcare cost trend rate (5.75% for 2022, decreasing to an ultimate rate of 4.00% for 2070 and later years)	71,756,985
1% increase (6.75% for 2022, decreasing to an ultimate rate of 5.00% for 2070 and later years)	81,733,526

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

For the year ended June 30, 2022, the District recognized OPEB expense of 4,498,830. At June 30, 2023, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 3,434,797	\$ -
Differences between expected and actual experience	6,928,216	10,381,332
Changes of assumptions	2,518,339	15,417,298
Total	\$ 12,881,352	\$ 25,798,630

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (2,444,694)
2025	(2,191,377)
2026	(2,169,699)
2027	(2,206,940)
2028	(2,206,940)
Thereafter	(5,132,425)
Total	<u>\$ (16,352,075)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$1,017,113 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2020, respectively, was 0.3088%, and 0.3217%, resulting in a net decrease in the proportionate share of 0.0129%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$(266,207).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2021, 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 members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.54%)	\$ 1,108,848
Current discount rate (3.54%)	1,017,113
1% increase (4.54%)	937,681

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

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

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 933,238
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,017,113
1% increase (5.50% Part A and 6.40% Part B)	1,112,189

Note 13 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 75,000	\$ 25,000	\$ 100,000
Stores inventories	375,558	56,990	432,548
Prepaid expenditures	97,148	-	97,148
Total nonspendable	<u>547,706</u>	<u>81,990</u>	<u>629,696</u>
Restricted			
Educational programs	86,044,378	7,249,048	93,293,426
Capital projects	-	53,183,282	53,183,282
Debt service	-	20,718,436	20,718,436
Total restricted	<u>86,044,378</u>	<u>81,150,766</u>	<u>167,195,144</u>
Assigned			
Vehicle replacement	3,600,000	-	3,600,000
Future facility needs	8,000,000	-	8,000,000
Field replacement	5,000,000	-	5,000,000
Future custodial support	3,500,000	-	3,500,000
PO rollovers	1,920,000	-	1,920,000
Reserve for deficit spending	14,308,715	-	14,308,715
Resources officers	1,130,000	-	1,130,000
Certificated positions	3,500,000	-	3,500,000
Job review	1,500,000	-	1,500,000
Deferred maintenance	8,383	-	8,383
Child development program	-	243,748	243,748
Capital projects	-	17,093,737	17,093,737
Total assigned	<u>42,467,098</u>	<u>17,337,485</u>	<u>59,804,583</u>
Unassigned			
Reserve for economic uncertainties	10,863,700	-	10,863,700
Remaining unassigned	17,177,900	-	17,177,900
Total unassigned	<u>28,041,600</u>	<u>-</u>	<u>28,041,600</u>
Total	<u><u>\$ 157,100,782</u></u>	<u><u>\$ 98,570,241</u></u>	<u><u>\$ 255,671,023</u></u>

Note 14 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the District participated in Unified Schools Insurance Program (USIP) and Schools Excess Liability Fund (SELF) public entity risk pools for property and liability insurance coverage.

Workers' Compensation

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

Employee Medical Benefits

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

Claims Liability

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

Unpaid Claims Liability

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2021 to June 30, 2023:

	<u>Workers' Compensation</u>
Liability Balance, July 1, 2021	\$ 7,379,073
Claims and changes in estimates	(1,874,966)
Claims payments	<u>(819,872)</u>
Liability Balance, July 1, 2022	4,684,235
Claims and changes in estimates	1,833,201
Claims payments	<u>(1,296,759)</u>
Liability Balance, June 30, 2023	<u>\$ 5,220,677</u>
Investments available to pay claims at June 30, 2023	<u>\$ 22,427,931</u>

Note 15 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 142,957,317	\$ 35,030,843	\$ 27,401,911	\$ 12,322,633
CalPERS	104,833,639	35,266,522	3,789,307	13,067,862
				-
Total	<u>\$ 247,790,956</u>	<u>\$ 70,297,365</u>	<u>\$ 31,191,218</u>	<u>\$ 25,390,495</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of

providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$24,503,261.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 142,957,317
State's proportionate share of the net pension liability	<u>71,592,466</u>
Total	<u><u>\$ 214,549,783</u></u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.2057% and 0.2140%, resulting in a net decrease in the proportionate share of 0.0083%.

For the year ended June 30, 2023, the District recognized pension expense of \$12,322,633. In addition, the District recognized pension expense and revenue of \$5,773,885 for support provided by the State. At June 30, 2023, 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	\$ 24,503,261	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,320,671	9,692,207
Differences between projected and actual earnings on pension plan investments	-	6,990,889
Differences between expected and actual experience in the measurement of the total pension liability	117,269	10,718,815
Changes of assumptions	<u>7,089,642</u>	<u>-</u>
Total	<u>\$ 35,030,843</u>	<u>\$ 27,401,911</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (5,135,327)
2025	(5,563,257)
2026	(8,357,144)
2027	<u>12,064,839</u>
Total	<u>\$ (6,990,889)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 5,354,951
2025	(3,962,907)
2026	(3,581,927)
2027	(2,943,171)
2028	(2,912,882)
Thereafter	(1,837,504)
Total	<u>\$ (9,883,440)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent

consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume 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%)	\$ 242,794,547
Current discount rate (7.10%)	142,957,317
1% increase (8.10%)	60,062,400

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.370%	25.370%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were \$13,674,283.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$104,833,639. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.3047% and 0.3083%, resulting in a net decrease in the proportionate share of 0.0036%.

For the year ended June 30, 2023, the District recognized pension expense of \$13,067,862. At June 30, 2023, 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	\$ 13,674,283	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	985,453	1,180,912
Differences between projected and actual earnings on pension plan investments	12,378,002	-
Differences between expected and actual experience in the measurement of the total pension liability	473,787	2,608,395
Changes of assumptions	<u>7,754,997</u>	<u>-</u>
Total	<u>\$ 35,266,522</u>	<u>\$ 3,789,307</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 2,064,257
2025	1,830,853
2026	935,223
2027	<u>7,547,669</u>
Total	<u>\$ 12,378,002</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and change in assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 2,015,733
2025	2,070,263
2026	1,439,848
2027	<u>(100,914)</u>
Total	<u>\$ 5,424,930</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	\$ 151,437,500
Current discount rate (6.90%)	104,833,639
1% increase (7.90%)	66,317,261

Alternative Retirement Program

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security for employees who work more than four hours per day and the Accumulation Program for Part-Time and Limited-Service Employees (the APPLE program) for employees who work less than four hours per day. The District's required and actual contributions to the APPLE program amounted to \$68,303 during the year ended June 30, 2023.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$11,484,920 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 16 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023. The District's exposure to loss in these matters is expected to be limited to its self-insured retention levels, which are cumulatively immaterial to the financial statements.

Construction Commitments

As of June 30, 2023, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
BHS Parking Lot Expansion Phase 2 (23-01)	\$ 40,229	7/23/2023
Grand Terrace HS Roofing Repair (22-05)	148,629	9/23/2023
Grand Terrace ES Lions Club Demo (23-03)	101,871	9/23/2023
Grand Terrace HS Turf Replacement (22-24)	13,195	9/24/2023
850/900 Washington Phase 3 (20-07)	1,147,945	10/23/2023
Crestmore ES ADA Upgrades (20-06)	7,320	10/23/2023
ESSER Controls (23-03)	110,169	10/23/2023
CHS CTE Culinary Arts (20-03)	113,839	10/24/2023
Security Cameras	22,200	12/24/2023
THMS New Classroom (21-04)	414,745	TBD
Wilson ES Classroom / Parking Addition (21-12)	297,501	TBD
Grand Terrace ES Class / Parking (21-13)	318,946	TBD
Terrace View ES Kinder Class Addition (22-04)	77,455	TBD
Grand Terrace ES Fire Alarm Replacement (22-21)	422,774	TBD
	<u>\$ 3,236,818</u>	
Total		

Note 17 - Participation in Public Entity Risk Pools, Joint Powers Authorities

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

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

During the year ended June 30, 2023, the District made payments of \$1,976,611 to USIP, \$356,794 to SELF, \$170,510 to CSRМ, \$36,642,288 to SCSEBA, and \$2,524,002 to CVT for property and liability coverage, excess workers' compensation insurance, and health benefits coverage.

Note 18 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position and fund balance were restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2022	\$ 58,112,449
Prepaid expense	(1,179,330)
Right-to-use subscription IT assets, net of amortization	3,024,233
Subscription liabilities	<u>(1,839,060)</u>
Net Position - Beginning as restated on July 1, 2022	<u>\$ 58,118,292</u>
General Fund	
Fund Balance - Beginning, as previously reported on June 30, 2022	\$ 90,243,521
Prepaid expenditures	<u>(1,179,330)</u>
Fund Balance - Beginning as restated on July 1, 2022	<u>\$ 89,064,191</u>



Required Supplementary Information
June 30, 2023

Colton Joint Unified School District

Colton Joint Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 260,783,200	\$ 279,081,517	\$ 279,155,654	\$ 74,137
Federal sources	62,909,698	39,958,739	37,112,986	(2,845,753)
Other State sources	27,414,821	90,289,650	92,746,000	2,456,350
Other local sources	13,013,438	18,577,881	20,753,905	2,176,024
Total revenues ¹	<u>364,121,157</u>	<u>427,907,787</u>	<u>429,768,545</u>	<u>1,860,758</u>
Expenditures				
Current				
Certificated salaries	124,110,036	139,826,777	138,936,422	890,355
Classified salaries	49,752,891	52,178,697	52,143,382	35,315
Employee benefits	94,941,161	90,716,526	90,592,048	124,478
Books and supplies	73,310,144	25,073,120	22,267,276	2,805,844
Services and operating expenditures	44,069,724	51,142,498	44,593,172	6,549,326
Other outgo	9,723,826	3,793,392	2,850,156	943,236
Capital outlay	3,037,154	2,888,526	3,935,362	(1,046,836)
Debt service				
Debt service - principal	803,526	273,306	2,143,374	(1,870,068)
Debt service - interest and other	368,544	234,316	414,811	(180,495)
Total expenditures ¹	<u>400,117,006</u>	<u>366,127,158</u>	<u>357,876,003</u>	<u>8,251,155</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(35,995,849)</u>	<u>61,780,629</u>	<u>71,892,542</u>	<u>10,111,913</u>
Other Financing Sources (Uses)				
Other sources, proceeds from SBITAs	-	-	822,582	822,582
Transfers out	(4,058,277)	(4,964,898)	(4,678,533)	286,365
Net Financing Sources (Uses)	<u>(4,058,277)</u>	<u>(4,964,898)</u>	<u>(3,855,951)</u>	<u>1,108,947</u>
Net Change in Fund Balances	(40,054,126)	56,815,731	68,036,591	11,220,860
Fund Balance - Beginning	<u>89,064,191</u>	<u>89,064,191</u>	<u>89,064,191</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 49,010,065</u>	<u>\$ 145,879,922</u>	<u>\$ 157,100,782</u>	<u>\$ 11,220,860</u>

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

Colton Joint Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability			
Service cost	\$ 5,380,177	\$ 5,410,531	\$ 4,262,009
Interest	1,563,347	1,816,623	2,085,364
Difference between expected and actual experience	-	8,558,384	-
Changes of assumptions	(9,167,514)	(4,896,004)	3,125,974
Benefit payments	<u>(4,106,800)</u>	<u>(3,059,696)</u>	<u>(3,132,772)</u>
Net change in total OPEB liability	(6,330,790)	7,829,838	6,340,575
Total OPEB Liability - Beginning	<u>78,087,775</u>	<u>70,257,937</u>	<u>63,917,362</u>
Total OPEB Liability - Ending	<u>\$ 71,756,985</u>	<u>\$ 78,087,775</u>	<u>\$ 70,257,937</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 4,470,257	\$ 4,668,624	\$ 4,888,948
Interest	2,507,730	2,480,296	2,080,731
Difference between expected and actual experience	(16,673,048)	-	-
Changes of assumptions	(4,318,694)	906,151	(2,641,755)
Benefit payments	<u>(3,475,735)</u>	<u>(2,444,552)</u>	<u>(2,563,737)</u>
Net change in total OPEB liability	(17,489,490)	5,610,519	1,764,187
Total OPEB Liability - Beginning	<u>81,406,852</u>	<u>75,796,333</u>	<u>74,032,146</u>
Total OPEB Liability - Ending	<u>\$ 63,917,362</u>	<u>\$ 81,406,852</u>	<u>\$ 75,796,333</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Colton Joint Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.3088%	0.3217%	0.3198%
Proportionate share of the net OPEB liability	\$ 1,017,113	\$ 1,283,320	\$ 1,558,182
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.3724%	0.3796%	0.3885%
Proportionate share of the net OPEB liability	\$ 1,211,481	\$ 1,272,915	\$ 1,436,838
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ 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.

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

Colton Joint Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.2057%	0.2140%	0.2110%	0.2105%	0.2115%
Proportionate share of the net pension liability	\$ 142,957,317	\$ 97,407,408	\$ 172,845,053	\$ 190,102,590	\$ 194,360,212
State's proportionate share of the net pension liability	71,592,466	49,011,630	105,415,274	103,713,654	111,280,312
Total	<u>\$ 214,549,783</u>	<u>\$ 146,419,038</u>	<u>\$ 278,260,327</u>	<u>\$ 293,816,244</u>	<u>\$ 305,640,524</u>
Covered payroll	<u>\$ 118,195,284</u>	<u>\$ 115,817,313</u>	<u>\$ 116,124,965</u>	<u>\$ 113,990,633</u>	<u>\$ 113,178,184</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>120.95%</u>	<u>84.10%</u>	<u>148.84%</u>	<u>166.77%</u>	<u>171.73%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability		0.2146%	0.2137%	0.2250%	0.1769%
Proportionate share of the net pension liability		\$ 198,446,468	\$ 172,845,053	\$ 151,324,885	\$ 103,371,864
State's proportionate share of the net pension liability		<u>117,399,254</u>	<u>98,397,605</u>	<u>80,034,183</u>	<u>62,420,395</u>
Total		<u>\$ 315,845,722</u>	<u>\$ 271,242,658</u>	<u>\$ 231,359,068</u>	<u>\$ 165,792,259</u>
Covered payroll		<u>\$ 112,876,176</u>	<u>\$ 110,064,520</u>	<u>\$ 100,405,991</u>	<u>90,159,745</u>
Proportionate share of the net pension liability as a percentage of its covered payroll		<u>175.81%</u>	<u>157.04%</u>	<u>150.71%</u>	<u>114.65%</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Colton Joint Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.3047%	0.3083%	0.3016%	0.2993%	0.3028%
Proportionate share of the net pension liability	\$ 104,833,639	\$ 62,694,328	\$ 92,548,027	\$ 87,237,702	\$ 80,730,160
Covered payroll	\$ 47,522,414	\$ 44,345,836	\$ 43,608,336	\$ 41,572,533	\$ 40,055,772
Proportionate share of the net pension liability as a percentage of its covered payroll	220.60%	141.38%	212.23%	209.84%	201.54%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.3058%	0.3145%	0.3033%	0.2882%
Proportionate share of the net pension liability		\$ 73,003,592	\$ 62,106,696	\$ 44,709,448	\$ 32,721,211
Covered payroll		\$ 38,965,783	\$ 37,711,058	\$ 33,520,228	30,233,421
Proportionate share of the net pension liability as a percentage of its covered payroll		187.35%	164.69%	133.38%	108.23%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Colton Joint Unified School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 24,503,261	\$ 19,998,642	\$ 18,704,496	\$ 19,857,369	\$ 18,557,675
Less contributions in relation to the contractually required contribution	<u>24,503,261</u>	<u>19,998,642</u>	<u>18,704,496</u>	<u>19,857,369</u>	<u>18,557,675</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 128,289,325</u>	<u>\$ 118,195,284</u>	<u>\$ 115,817,313</u>	<u>\$ 116,124,965</u>	<u>\$ 113,990,633</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 16,331,612	\$ 14,199,823	\$ 11,809,923	\$ 8,916,052
Less contributions in relation to the contractually required contribution		<u>16,331,612</u>	<u>14,199,823</u>	<u>11,809,923</u>	<u>8,916,052</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 113,178,184</u>	<u>\$ 112,876,176</u>	<u>\$ 110,064,520</u>	<u>\$ 100,405,991</u>
Contributions as a percentage of covered payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

Colton Joint Unified School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 13,674,283	\$ 10,887,385	\$ 9,179,588	\$ 8,600,000	\$ 7,508,831
Less contributions in relation to the contractually required contribution	<u>13,674,283</u>	<u>10,887,385</u>	<u>9,179,588</u>	<u>8,600,000</u>	<u>7,508,831</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 53,899,421</u>	<u>\$ 47,522,414</u>	<u>\$ 44,345,836</u>	<u>\$ 43,608,336</u>	<u>\$ 41,572,533</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 6,221,062	\$ 5,411,568	\$ 4,467,629	\$ 3,945,666
Less contributions in relation to the contractually required contribution		<u>6,221,062</u>	<u>5,411,568</u>	<u>4,467,629</u>	<u>3,945,666</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 40,055,772</u>	<u>\$ 38,965,783</u>	<u>\$ 37,711,058</u>	<u>\$ 33,520,228</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – Changes of assumptions reflect a change in the discount rate from 1.92% in 2021 to 3.69% in 2022 and a change in the healthcare cost trend rate from 6.00% in 2021 to 5.75% in 2022.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan discount rate assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS discount rate assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2023

Colton Joint Unified School District

Colton Joint Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 8,002,920
School Improvement Funding for LEAs	84.010	15438	<u>418,981</u>
Subtotal			<u>8,421,901</u>
Title II, Part A, Supporting Effective Instruction	84.367	14341	991,280
Title III, English Learner Student Program	84.365	14346	599,605
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	158,112
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	776,585
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	197,838
Adult Education: Adult Basic Education & ELA	84.002A	14508	63,880
Adult Education: Adult Secondary Education	84.002	13978	<u>54,600</u>
Subtotal			<u>118,480</u>
Education Stabilization Fund			
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	301
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	12,533,113
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	2,197,543
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	3,531,685
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	547,628
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	682,907
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	211,699
COVID-19 After School Education and Safety (ASES) Rate Increase: ESSER III State Reserve Summer Learning Programs	84.425U	15652	223,335
COVID-19 American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W	15566	<u>41,124</u>
Subtotal Education Stabilization Fund			<u>19,969,335</u>
Passed through East Valley Special Education Local Plan Area Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,049,640
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	18,963
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	<u>231,926</u>
Subtotal			<u>4,300,529</u>

Colton Joint Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	\$ 102,005
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	<u>1,675</u>
Subtotal			<u>103,680</u>
Subtotal Special Education (IDEA) Cluster			<u>4,404,209</u>
Total U.S. Department of Education			<u>35,637,345</u>
U.S. Department of Health and Human Services			
Passed through CDE			
Child Care Development Fund (CCDF) Cluster			
COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	15555	<u>76,322</u>
Subtotal Child Care Development Fund (CCDF) Cluster			<u>76,322</u>
Head Start Cluster			
Head Start	93.600	10016	<u>1,147,229</u>
Subtotal Head Start Cluster			<u>1,147,229</u>
Total U.S. Department of Health and Human Services			<u>1,223,551</u>
U.S. Department of Defense			
Reserve Officer Training Corps (ROTC)	12.357	[1]	<u>150,722</u>
Total U.S. Department of Defense			<u>150,722</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Program Cluster			
School Lunch - Section 11	10.553	13524	7,057,600
Especially Needy Breakfast Program	10.553	13526	<u>1,790,723</u>
Subtotal			<u>8,848,323</u>
School Lunch - Section 4	10.555	13523	2,149,211
Commodities	10.555	13524	1,018,221
Supply Chain Assistance for School Meals	10.555	15655	<u>465,043</u>
Subtotal			<u>3,632,475</u>
Subtotal Child Nutrition Program Cluster			<u>12,480,798</u>
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13529	1,388,115
Child and Adult Care Food Program - Cash in Lieu	10.558	13534	<u>100,394</u>
Subtotal			<u>1,488,509</u>
Total U.S. Department of Agriculture			<u>13,969,307</u>
Federal Communications Commission (FCC)			
COVID-19 Emergency Connectivity Fund Program	32.009	[1]	<u>1,443,399</u>
Total Federal Communications Commission (FCC)			<u>1,443,399</u>
Total Federal Financial Assistance			<u>\$ 52,424,324</u>

[1] Pass-Through Entity Number not available.

[1] Direct funded program

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Joanne E. Thoring-Ojeda	President	2026
Mr. Frank A. Ibarra	Vice President	2024
Mr. Dan Flores	Clerk	2026
Ms. Bertha Flores	Member	2024
Mr. Israel Fuentes	Member	2026
Ms. Patt Haro	Member	2024
Ms. Berenice Sandoval	Member	2026

ADMINISTRATION

Dr. Frank Miranda, Ed.D	Superintendent
Mr. Gregory Fromm	Assistant Superintendent, Business Services Division
Mr. Brandon Dade	Assistant Superintendent, Human Resources Division
Dr. Tina Petersen, Ed.D	Assistant Superintendent, Educational Services Division

Colton Joint Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,218.65	5,252.87
Fourth through sixth	4,188.12	4,205.53
Seventh and eighth	2,790.25	2,786.34
Ninth through twelfth	5,289.40	5,203.95
Total Regular ADA	17,486.42	17,448.69
Extended Year Special Education		
Transitional kindergarten through third	1.05	1.05
Fourth through sixth	0.34	0.34
Seventh and eighth	0.01	0.01
Ninth through twelfth	0.07	0.07
Total Extended Year Special Education	1.47	1.47
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	3.46	3.51
Seventh and eighth	1.70	2.70
Ninth through twelfth	9.34	9.37
Total Special Education, Nonpublic, Nonsectarian Schools	14.50	15.58
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.07	0.07
Seventh and eighth	0.21	0.21
Ninth through twelfth	0.53	0.53
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.81	0.81
Total ADA	17,503.20	17,466.55

Colton Joint Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	45,880	-	45,880	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		55,050	-	55,050	180	-	180	N/A	N/A	N/A	Complied
Grade 2		55,050	-	55,050	180	-	180	N/A	N/A	N/A	Complied
Grade 3		55,050	-	55,050	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		55,050	-	55,050	180	-	180	N/A	N/A	N/A	Complied
Grade 5		55,050	-	55,050	180	-	180	N/A	N/A	N/A	Complied
Grade 6		55,050	-	55,050	180	-	180	N/A	N/A	N/A	Complied
Grade 7		62,160	-	62,160	180	-	180	N/A	N/A	N/A	Complied
Grade 8		62,160	-	62,160	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		65,684	-	65,684	180	-	180	N/A	N/A	N/A	Complied
Grade 10		65,684	-	65,684	180	-	180	N/A	N/A	N/A	Complied
Grade 11		65,684	-	65,684	180	-	180	N/A	N/A	N/A	Complied
Grade 12		65,684	-	65,684	180	-	180	N/A	N/A	N/A	Complied

Colton Joint Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2023

Summarized below are the governmental fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2023, Unaudited Actuals	\$ 157,890,606
Decrease in	
Prepaid expenditures	<u>(789,824)</u>
Balance, June 30, 2023, Audited Financial Statements	<u><u>\$ 157,100,782</u></u>

Colton Joint Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
General Fund ³				
Revenues	\$ 411,742,566	\$ 429,760,162	\$ 339,422,591	\$ 330,106,323
Other sources	-	822,582	1,568,871	-
Total revenues and other sources	<u>411,742,566</u>	<u>430,582,744</u>	<u>340,991,462</u>	<u>330,106,323</u>
Expenditures	426,530,847	357,876,003	325,049,306	292,604,552
Other uses	6,012,383	4,678,533	3,494,024	4,798,290
Total expenditures and other uses	<u>432,543,230</u>	<u>362,554,536</u>	<u>328,543,330</u>	<u>297,402,842</u>
Increase/(Decrease) in Fund Balance	<u>(20,800,664)</u>	<u>68,028,208</u>	<u>12,448,132</u>	<u>32,703,481</u>
Ending Fund Balance	<u>\$ 136,291,735</u>	<u>\$ 157,092,399</u>	<u>\$ 89,064,191</u>	<u>\$ 76,616,059</u>
Available Reserves ²	<u>\$ 14,471,546</u>	<u>\$ 28,041,600</u>	<u>\$ 22,544,729</u>	<u>\$ 8,922,100</u>
Available Reserves as a Percentage of Total Outgo	<u>3.35%</u>	<u>7.73%</u>	<u>6.86%</u>	<u>3.00%</u>
Long-Term Liabilities including OPEB and pension	<u>N/A</u>	<u>\$ 575,470,324</u>	<u>\$ 500,220,952</u>	<u>\$ 642,784,720</u>
K-12 Average Daily Attendance at P-2	<u>17,162</u>	<u>17,503</u>	<u>17,850</u>	<u>20,339</u>

The General Fund balance has increased by \$80,476,340 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$20,800,664 (13.2%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$67,314,396 over the past two years.

Average daily attendance has decreased by 2,836 over the past two years. An additional decrease of 341 ADA is anticipated during fiscal year 2023-2024.

¹ Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

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

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

Colton Joint Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
Assets						
Deposits and investments	\$ 754,733	\$ 139,159	\$ 269,162	\$ 4,464,982	\$ 18,530,046	\$ 12,370,374
Receivables	-	124,150	321,321	2,593,992	148,494	205,677
Due from other funds	-	171	342,268	83,157	-	-
Stores inventories	-	-	-	56,990	-	-
Total assets	\$ 754,733	\$ 263,480	\$ 932,751	\$ 7,199,121	\$ 18,678,540	\$ 12,576,051
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 51,894	\$ 165,268	\$ 318,181	\$ 480,352	\$ 794,904
Due to other funds	-	10,390	70,753	958,813	3,420	27,526
Total liabilities	-	62,284	236,021	1,276,994	483,772	822,430
Fund Balances						
Nonspendable	-	-	-	81,990	-	-
Restricted	754,733	201,196	452,982	5,840,137	18,194,768	11,753,621
Assigned	-	-	243,748	-	-	-
Total fund balances	754,733	201,196	696,730	5,922,127	18,194,768	11,753,621
Total liabilities and fund balances	\$ 754,733	\$ 263,480	\$ 932,751	\$ 7,199,121	\$ 18,678,540	\$ 12,576,051

Colton Joint Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 23,057,073	\$ 15,849,139	\$ 101	\$ 20,718,436	\$ 96,153,205
Receivables	181,617	112,763	-	-	3,688,014
Due from other funds	-	1,953,134	-	-	2,378,730
Stores inventories	-	-	-	-	56,990
Total assets	<u>\$ 23,238,690</u>	<u>\$ 17,915,036</u>	<u>\$ 101</u>	<u>\$ 20,718,436</u>	<u>\$ 102,276,939</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,898	\$ 821,299	\$ -	\$ -	\$ 2,635,796
Due to other funds	-	-	-	-	1,070,902
Total liabilities	<u>3,898</u>	<u>821,299</u>	<u>-</u>	<u>-</u>	<u>3,706,698</u>
Fund Balances					
Nonspendable	-	-	-	-	81,990
Restricted	23,234,792	-	101	20,718,436	81,150,766
Assigned	-	17,093,737	-	-	17,337,485
Total fund balances	<u>23,234,792</u>	<u>17,093,737</u>	<u>101</u>	<u>20,718,436</u>	<u>98,570,241</u>
Total liabilities and fund balances	<u>\$ 23,238,690</u>	<u>\$ 17,915,036</u>	<u>\$ 101</u>	<u>\$ 20,718,436</u>	<u>\$ 102,276,939</u>

Colton Joint Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
Revenues						
Federal sources	\$ -	\$ 118,480	\$ 1,147,229	\$ 13,969,307	\$ -	\$ -
Other State sources	-	783,273	2,559,710	5,003,556	-	-
Other local sources	1,542,393	(330)	107,069	47,027	374,281	1,309,399
Total revenues	1,542,393	901,423	3,814,008	19,019,890	374,281	1,309,399
Expenditures						
Current						
Instruction	-	249,807	3,045,350	-	-	-
Instruction-related activities						
Supervision of instruction	-	36,383	1,784	-	-	-
School site administration	-	229,929	670,531	-	-	-
Pupil services						
Food services	-	-	98,085	14,857,094	-	-
All other pupil services	-	374,982	325,580	-	-	-
Administration						
All other administration	-	-	183,852	363,646	-	42,913
Plant services	-	1,137	160,275	-	-	175,650
Ancillary services	1,563,702	-	-	-	-	-
Facility acquisition and construction	-	-	-	26,106	2,179,806	4,546,682
Debt service						
Principal	-	-	-	5,411	-	289,109
Interest and other	-	-	-	589	-	11,191
Total expenditures	1,563,702	892,238	4,485,457	15,252,846	2,179,806	5,065,545
Excess (Deficiency) of Revenues Over Expenditures	(21,309)	9,185	(671,449)	3,767,044	(1,805,525)	(3,756,146)
Other Financing Sources						
Transfers in	-	-	684,976	-	-	-
Net Change in Fund Balances	(21,309)	9,185	13,527	3,767,044	(1,805,525)	(3,756,146)
Fund Balance - Beginning	776,042	192,011	683,203	2,155,083	20,000,293	15,509,767
Fund Balance - Ending	\$ 754,733	\$ 201,196	\$ 696,730	\$ 5,922,127	\$ 18,194,768	\$ 11,753,621

Colton Joint Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	\$ -	\$ -	\$ -	\$ 113,749	\$ 15,348,765
Other State sources	2,870,223	-	-	50,558	11,267,320
Other local sources	447,355	6,316,731	-	12,303,161	22,447,086
Total revenues	3,317,578	6,316,731	-	12,467,468	49,063,171
Expenditures					
Current					
Instruction	-	-	-	-	3,295,157
Instruction-related activities					
Supervision of instruction	-	-	-	-	38,167
School site administration	-	-	-	-	900,460
Pupil services					
Food services	-	-	-	-	14,955,179
All other pupil services	-	-	-	-	700,562
Administration					
All other administration	-	-	-	-	590,411
Plant services	-	-	-	-	337,062
Ancillary services	-	-	-	-	1,563,702
Facility acquisition and construction	162,008	3,245,638	-	-	10,160,240
Debt service					
Principal	-	-	-	7,590,000	7,884,520
Interest and other	-	-	-	5,240,407	5,252,187
Total expenditures	162,008	3,245,638	-	12,830,407	45,677,647
Excess (Deficiency) of Revenues Over Expenditures	3,155,570	3,071,093	-	(362,939)	3,385,524
Other Financing Sources					
Transfers in	-	-	-	-	684,976
Net Change in Fund Balances	3,155,570	3,071,093	-	(362,939)	4,070,500
Fund Balance - Beginning	20,079,222	14,022,644	101	21,081,375	94,499,741
Fund Balance - Ending	\$ 23,234,792	\$ 17,093,737	\$ 101	\$ 20,718,436	\$ 98,570,241

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Colton Joint Unified School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position and fund balance, or cash flows of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District did not report food commodities remains in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of the Qualified School Construction Bonds – Interest Subsidy, which are not required to be reported on the Schedule of Expenditures of Federal Awards. Additionally, COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend funds were recorded as revenues in the previous period but were unspent. These unspent funds have been expended in the current period.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues reported on the financial statements		\$ 52,461,751
Qualified School Construction Bonds - Interest Subsidy	[1]	(113,749)
COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	76,322
Total federal financial assistance		\$ 52,424,324

[1] Federal Financial Assistance Listing not available

Local Education Agency Organization Structure

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

Schedule of 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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2023

Colton Joint Unified School District



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colton Joint Unified School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 19, 2024.

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position and General Fund balance as of July 1, 2022, to restate beginning net position and fund balance. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated January 19, 2024.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 19, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Colton Joint Unified School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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

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

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.



Rancho Cucamonga, California
January 19, 2024



Independent Auditor's Report on State Compliance

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

Report on Compliance

Opinion on State Compliance

We have audited Colton Joint Unified School District's (the District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
 School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
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	Yes
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
 Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

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

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
January 19, 2024



Schedule of Findings and Questioned Costs
June 30, 2023

Colton Joint Unified School District

Financial Statements

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

Federal Awards

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

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
Title I, Part A, Basic Grants Low-Income and Neglected School Improvement Funding for LEAs	84.010 84.010
Education Stabilization Fund	
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U
COVID-19 After School Education and Safety (ASES) Rate Increase: ESSER III State Reserve Summer Learning Programs	84.425U
COVID-19 American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W
Dollar threshold used to distinguish between type A and type B programs	\$1,572,730
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

The following finding represents a significant deficiency in internal control and an instance of noncompliance that is required to be reported by the Uniform Guidance. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2023-001 50000-Federal Programs – Approval of Automatic Payroll System (Noncompliance and Significant Deficiency in Internal Controls over Compliance)

Federal Programs Affected

Title I, Part A, Basic Grants Low-Income and Neglected Assistance Listing Number: 84.010
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

Per Title 2, *Code of Federal Regulations*, Part 200, Subpart E, Section 200.430(i)(1), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition

Through review of wages charged to the federal programs, it was noted that three substitute employees were incorrectly charged to Title I, Part A. As these employees were substituting for personnel who are not charged to Title I, Part A, the substitute costs have been deemed to be unallowable for the program.

Questioned Costs

Through review of the provided payroll reports, we noted that the charges related to the identified substitute employees amounted to \$2,521.

Context

The condition was identified through inquiry with District personnel and review of available District records related to salaries and wages charged to Title I, Part A.

Effect

The District has not complied with the requirements identified in Title 2, *Code of Federal Regulations*, Part 200, Subpart E, Section 200.430 (i)(1).

Cause

The identified condition appears to have materialized due to ineffective monitoring of the position assignments within the District's absence tracking system. The funding line was not adjusted for the identified employees, resulting in the incorrect charging of their wages to Title I, Part A.

Repeat Finding

No.

Recommendation

The District should monitor the funding lines within the absence tracking system to ensure that substitute employees are charged to the appropriate funding source.

Corrective Action Plan and Views of Responsible Officials

The District will conduct a regular review of substitute activity charged under Title I, with audits for allowability performed every pay period. Departments within the Educational Services and Business Services Division will oversee this review, engaging in outreach to sites for confirmation of the rationale behind charging a substitute to Title I. Additionally, backup documentation will be collected to bolster the support for the allowability of these activities. This proactive plan aims to maintain continuous compliance with Title I guidelines.

None reported.

Except as specified in previous sections of this report, summarized below are the current statuses of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statements Findings

2022-001 3000

Criteria or Specific Requirement

A crucial and required element of an effective internal control system is the proper segregation of key duties and corresponding financial system access permissions between various employees and departments. Adequate segregation of duties reduces the likelihood of errors and misappropriation of funds, as it limits the ability of one employee or a group of employees to conceal financial reporting errors or fraud.

Condition

During the course of our engagement, we determined that certain personnel within the District's Fiscal Services Department have the ability to edit various salary data fields within the financial system's position control module. These system access permissions allow for the editing of an employee's salary range and salary step placement, earning type, full-time equivalent (FTE) data, and other information that can affect an employee's salaried earnings. As the Fiscal Services Department is responsible for processing payroll, personnel within the department should not also have the ability to alter employee salary data. Instead, the ability to edit these fields should be limited to personnel within the Human Resources Department.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and review of available District records related to system access privileges.

Effect

Due to the effect of the identified condition, the District's internal control environment lacks a proper segregation of duties between the Fiscal Services Department and Human Resources Department.

Cause

The cause of the identified condition appears to be the result of system access permissions that have not been updated to reflect the appropriate segregation of duties between Fiscal Services Department and Human Resources Department personnel.

Recommendation

The District should review system access permissions for personnel within the Fiscal Services Department to ensure that these personnel do not have the ability to edit information that may affect an employee's salaried earnings.

Current Status

Implemented.

2022-002 30000

Criteria or Specific Requirements

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

Condition

During the course of our engagement, we identified a significant misstatement of balances presented within the District's Internal Service Fund, as reported on the 2021-2022 unaudited financial statements. The misstatement was caused by a claims liability adjustment that was not recorded by the District.

An audit adjustment due to the error resulted in a \$2,694,838 increase in the District's Internal Service Fund ending net position, as reported on the 2021-2022 unaudited financial statements.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and review of available District records related to Internal Service Fund balances.

Effect

Due to the effect of the identified condition, the District's Internal Service Fund net position was understated by \$2,694,838. The effect of this error resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Cause

The cause of the identified condition appears to be the result of an inadequate review of year-end financial closing procedures. These closing procedures should include a review of self-insurance actuarial valuation reports to identify necessary adjustments to the estimated claims liability.

Recommendation

A thorough review of the District's financial activity should take place before the financial statements are finalized by the District's business department. This review should include a verification that necessary adjustments have been made to the District's claims liability.

Current Status

Implemented.

2022-003

20000

Criteria or Specific Requirements

Procedure 415 of the California Department of Education's (CDE) California School Accounting Manual states that physical inventory counts should be performed at least annually.

Condition

The District did not perform a physical count of transportation inventory balances as of June 30, 2022.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and review of available District records related to the District's transportation inventory balances.

Effect

Due to the effect of the identified condition, the District's reported transportation inventory balance is not adequately supported by a physical count.

Cause

The cause of the identified condition appears to be the result of inadequate internal control procedures related to transportation inventory balances. These internal control procedures should include an independently reviewed annual inventory count.

Recommendation

The District should ensure that an inventory count is performed at least annually for all stocked items in the transportation department. The count should be performed by persons other than transportation department personnel and adjustments should be made to year-end inventory balances based on the results of the physical count.

Current Status

Implemented.

Federal Awards Findings

2022-004 50000 – Federal Compliance

Federal Program Affected

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

Criteria or Specific Requirements

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

Condition

Recording errors were identified based on the review of a sample of the District's meal reimbursement claim forms. Recording errors resulted in the District understating its reimbursable meals for the month of October 2021. The District reported 368,433 meals served under the National School Lunch Program. However, supporting documentation indicated that 368,869 meals were served, resulting in an understatement of 436 meals.

Questioned Costs

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

Context

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

Effect

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

Cause

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

Repeat Finding

As indicated in Finding 2021-002, we have determined that this represents a repeated instance of the prior year finding. However, the identified error occurred in October 2021, which was prior to the District's implementation of the recommended control procedure improvements in December 2021. Through our review of additional reimbursement claims for the months of December 2021, April 2022, and June 2022, no additional errors were noted. Therefore, we have determined that, although the internal control deficiency existed as of October, 2021, the District has adequately implemented the recommended internal control procedures as of June 30, 2022.

Recommendation

As the District has implemented the recommended control procedure improvements as of June 30, 2022, we recommend that these procedures continue to be enforced and monitored by all relevant personnel.

Current Status

Implemented.



Management
Colton Joint Unified School District
Colton, California

In planning and performing our audit of the financial statements of Colton Joint Unified School District (the District) for the year ended June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 19, 2024, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Grand Terrace High School

Observation

- Based on the review of the cash receipting procedures, it was noted that one of 40 receipts tested was not deposited in a timely manner. The delay in deposit was 24 days from the date of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.

Recommendation

- The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.

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

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

Rancho Cucamonga, California
January 19, 2024