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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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 auditing standards generally accepted in the United States of America. 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 December 15, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rancho Cucamonga, California
December 15, 2022

Colton Joint Unified School District

Dr. Frank Miranda, Superintendent
Tina Daigneault, Interim Assistant Superintendent, Business Services Division
Mariamanda Sarabia, Director of Fiscal Services

Commitment to Equal Opportunity

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, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities increased by $39.1 million to $58.1 million.
- Governmental expenses were $350.8 million. Revenues were $389.9 million.
- The District decreased its outstanding long-term liabilities other than OPEB and pensions by $15.0 million or about 5.5%. 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 $184.7 million, which was $11.6 million higher than how they began the year.
- Reserves for the General Fund increased by $13.6 million to $22.5 million partially because of COVID-19 related revenues recognized in 2021-2022. Revenues and other sources were $343.0 million and expenditures and other uses were $330.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following 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 $58,112,449 for the fiscal year ended June 30, 2022. Of this amount, $(279,692,471) 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	
	2022	2021 as restated
Assets		
Current and other assets	$ 266,140,254	$ 284,402,328
Capital assets and right-to-use leased assets	411,684,892	413,787,109
Total assets	677,825,146	698,189,437
Deferred outflows of resources	77,983,518	85,444,029
Liabilities		
Current liabilities	61,933,803	89,926,466
Long-term liabilities other than OPEB and pensions	258,909,061	273,929,305
Net other postemployment benefits (OPEB) liability	79,371,095	71,816,119
Aggregate net pension liability	160,101,736	297,039,296
Total liabilities	560,315,695	732,711,186
Deferred inflows of resources	137,380,520	31,886,852
Net Position		
Net investment in capital assets	229,108,337	219,607,909
Restricted	108,696,583	91,014,890
Unrestricted (deficit)	(279,692,471)	(291,587,371)
Total net position	$ 58,112,449	$ 19,035,428

The $(279,692,471) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 4.1% ($(279,692,471) compared to $(291,587,371)).

Changes in Net Position

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

Table 2

	Governmental Activities	
	2022	2021 *
Revenues		
Program revenues		
Charges for services and sales	$ 431,044	$ 698,531
Operating grants and contributions	88,403,455	96,058,304
Capital grants and contributions	2,993,038	5,923,365
General revenues		
Federal and State aid not restricted	214,862,152	202,223,679
Property taxes	59,772,101	50,861,260
Other general revenues	9,670,400	19,446,164
Total revenues	376,132,190	375,211,303
Expenses		
Instruction-related	203,267,531	229,054,031
Pupil services	47,824,780	45,113,244
Administration	25,126,196	29,121,896
Plant services	39,293,308	35,814,286
All other services	21,543,354	24,592,558
Total expenses	337,055,169	363,696,015
Change in net position	$ 39,077,021	$ 11,515,288

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $337,055,169. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $59,772,101 because the cost was paid by those who benefited from the programs ($431,044) or by other governments and organizations who subsidized certain programs with grants and contributions ($91,396,493). We paid for the remaining "public benefit" portion of our governmental activities with $214,862,152 in State funds, and with $9,670,400 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	
	2022	2021 *	2022	2021 *
Instruction-related	$ 203,267,531	$ 229,054,031	$ (151,891,224)	$ (164,157,657)
Pupil services	47,824,780	45,113,244	(22,096,686)	(26,014,236)
Administration	25,126,196	29,121,896	(18,515,244)	(19,976,081)
Plant services	39,293,308	35,814,286	(33,481,728)	(32,744,288)
All other services	21,543,354	24,592,558	(19,242,750)	(18,123,553)
Total	$ 337,055,169	$ 363,696,015	$ (245,227,632)	$ (261,015,815)

* The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $184,743,262, which is an increase of $11,636,891, or 6.7% from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	July 1, 2021 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General Fund	$ 77,441,151	$ 343,011,746	$ 330,209,376	$ 90,243,521
County School Facilities Fund	17,131,679	2,993,038	45,495	20,079,222
Student Activity Fund	694,693	1,392,615	1,311,266	776,042
Adult Education Fund	198,740	786,693	793,422	192,011
Child Development Fund	493,946	4,374,129	4,184,872	683,203
Cafeteria Fund	206,546	15,569,627	13,621,090	2,155,083
Building Fund	22,061,642	(358,068)	1,703,281	20,000,293
Capital Facilities Fund	19,040,970	78,649	3,609,852	15,509,767
Special Reserve Fund for Capital Outlay Projects	10,722,205	4,643,408	1,342,969	14,022,644
Capital Projects Fund for Blended Component Units	101	-	-	101
Bond Interest and Redemption	25,114,698	16,250,794	20,284,117	21,081,375
Total	$ 173,106,371	$ 388,742,631	$ 377,105,740	$ 184,743,262

The primary reasons for these increases are:

- Our General Fund is our principal operating fund. The fund balance in the General Fund increased $12.8 million to $90.2 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 ASSET, RIGHT-TO-USE LEASED ASSETS, AND DEBT ADMINISTRATION

Capital Assets and Right-to-Use Leased Assets

At June 30, 2022, the District had $411,684,892 in a broad range of capital assets (net of depreciation) and right-to-use leased assets (net of amortization), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation and amortization expenses) of $2,102,217, or 0.5%, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as restated
Land and construction in progress	$ 70,163,713	$ 64,154,676
Buildings and improvements	327,015,323	337,078,906
Equipment	10,660,895	11,952,707
Leased assets	3,844,961	600,820
Total	$ 411,684,892	$ 413,787,109

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

Long-Term Liabilities other than OPEB and Pension

At the end of this year, the District had $258,909,061 in long-term liabilities other than OPEB and pension versus $273,929,305 last year, resulting in a decrease of $15,020,244, or 5.5%, from last year. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as restated
Long-Term Liabilities		
General obligation bonds	$ 225,663,579	$ 235,913,847
Unamortized debt premiums	11,659,648	12,724,898
Leases	3,866,281	600,820
Finance purchase agreement	6,203,652	6,471,092
Supplemental early retirement plan	3,917,931	8,171,243
Claims liability	4,684,235	7,379,073
Compensated absences	2,913,735	2,668,332
Total	$ 258,909,061	$ 273,929,305

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

OPEB and Net Pension Liabilities

At year-end, the District had a net other postemployment benefit liability (OPEB) of $79,371,095 versus $71,816,119 last year, an increase of $7,554,976, or 10.5%.

In addition, the District has an aggregate net pension liability of $160,101,736 versus $297,039,296 last year, a decrease of $136,937,560, or 46.1%.

The District presents more detailed information of OPEB and pension liabilities in Note 11 and Note 14 of the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

On June 27, 2022, Governor Gavin Newsom signed the budget which includes the following major funding provisions.

- Cost-of-living adjustment (COLA) remains at 6.56% for the Local Control Funding Formula (LCFF) while the LCFF base grant increases by 6.28%
- LCFF calculation amended to allow school districts to utilize the greater of current year, prior year, or the average of the most recent three prior years' ADA
- ADA protection applied all classroom-based LEAs that met specified independent study requirements
- Transitional Kindergarten (TK) add-on to the LCFF
- Learning Recovery Emergency Block Grant
- Arts, Music, and Instructional Materials Discretionary Block Grant
- Full funding for the Expanded Learning Opportunities Program (ELOP)
- Increase to the special education base rate
- Home-to-school transportation
- Funding for the implementation of universal meals
- Kitchen infrastructure grants

Senate Bill 185 was signed by the Governor on August 26, 2022 resulting the in following changes since budget adoption:

- Increase to the LCFF base grant
- Learning Recovery Emergency Block Grant
- Art, Music, and Instructional Materials Discretionary Block Grant
- Home-to-school transportation funding
- Increase to the special education base rate

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.

	Governmental Activities
Assets	
Deposits and investments	$ 241,359,825
Receivables	21,822,845
Prepaid expense	1,303,873
Stores inventories	855,328
Lease receivables	798,383
Capital assets not depreciated	70,163,713
Capital assets, net of accumulated depreciation	337,676,218
Right-to-use leased assets, net of accumulated amortization	3,844,961
Total assets	677,825,146
Deferred Outflows of Resources	
Deferred charge on refunding	8,295,293
Deferred outflows of resources related to OPEB	14,788,946
Deferred outflows of resources related to pensions	54,899,279
Total deferred outflows of resources	77,983,518
Liabilities	
Accounts payable	55,882,901
Accrued interest payable	2,244,646
Unearned revenue	3,806,256
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	10,101,243
Long-term liabilities other than OPEB and pensions due in more than one year	248,807,818
Net other postemployment benefits (OPEB) liability	79,371,095
Aggregate net pension liability	160,101,736
Total liabilities	560,315,695
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	20,312,736
Deferred inflows of resources related to pensions	116,269,401
Deferred inflows of resources related to leases	798,383
Total deferred inflows of resources	137,380,520
Net Position	
Net investment in capital assets	229,108,337
Restricted for	
Debt service	18,836,729
Capital projects	35,588,989
Educational programs	34,615,134
Self-insurance	16,225,217
Child nutrition	2,005,936
Other activities	1,424,578
Unrestricted (deficit)	(279,692,471)
Total net position	$ 58,112,449

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 174,508,262	$ 198	$ 36,969,475	$ 2,993,038	$ (134,545,551)
Instruction-related activities					
Supervision of instruction	8,869,760	246	9,216,883	-	347,369
Instructional library, media, and technology	2,887,660	-	915,365	-	(1,972,295)
School site administration	17,001,849	83	1,281,019	-	(15,720,747)
Pupil services					
Home-to-school transportation	5,820,694	-	45,245	-	(5,775,449)
Food services	14,301,310	104,773	14,148,508	-	(48,029)
All other pupil services	27,702,776	12,298	11,417,270	-	(16,273,208)
Administration					
Data processing	10,084,377	-	1,370,032	-	(8,714,345)
All other administration	15,041,819	4,470	5,236,450	-	(9,800,899)
Plant services	39,293,308	4,366	5,807,214	-	(33,481,728)
Ancillary services	4,175,044	-	1,419,202	-	(2,755,842)
Community services	237,112	-	-	-	(237,112)
Enterprise services	(13,037)	-	6,516	-	19,553
Interest on long-term liabilities	10,315,560	-	-	-	(10,315,560)
Other outgo	6,828,675	304,610	570,276	-	(5,953,789)
Total governmental activities	$ 337,055,169	$ 431,044	$ 88,403,455	$ 2,993,038	(245,227,632)
General Revenues and Subventions					
Property taxes, levied for general purposes					38,066,691
Property taxes, levied for debt service					16,110,215
Taxes levied for other specific purposes					5,595,195
Federal and State aid not restricted to specific purposes					214,862,152
Interest, investment earnings and fair market valuation adjustment					(2,449,189)
Miscellaneous					12,119,589
Subtotal, general revenues and subventions					284,304,653
Change in Net Position					39,077,021
Net Position - Beginning, as restated					19,035,428
Net Position - Ending					$ 58,112,449

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 122,043,453	$ 26,053,740	$ 72,149,525	$ 220,246,718
Receivables	19,024,825	36,857	2,668,194	21,729,876
Due from other funds	4,702,288	-	5,192,309	9,894,597
Prepaid expenditures	1,303,873	-	-	1,303,873
Stores inventories	731,181	-	124,147	855,328
Lease receivables	798,383	-	-	798,383
Total assets	$ 148,604,003	$ 26,090,597	$ 80,134,175	$ 254,828,775
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 48,857,075	$ 6,011,375	$ 912,093	$ 55,780,543
Due to other funds	4,898,768	-	4,801,563	9,700,331
Unearned revenue	3,806,256	-	-	3,806,256
Total liabilities	57,562,099	6,011,375	5,713,656	69,287,130
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	798,383	-	-	798,383
Fund Balances				
Nonspendable	2,110,054	-	149,147	2,259,201
Restricted	34,615,134	20,079,222	60,022,050	114,716,406
Assigned	30,973,604	-	14,249,322	45,222,926
Unassigned	22,544,729	-	-	22,544,729
Total fund balances	90,243,521	20,079,222	74,420,519	184,743,262
Total liabilities, deferred inflows of resources, and fund balances	$ 148,604,003	$ 26,090,597	$ 80,134,175	$ 254,828,775

Total Fund Balance - Governmental Funds		$ 184,743,262
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	$ 601,336,269	
Accumulated depreciation is	(193,496,338)	
Net capital assets		407,839,931
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	(352,154)	
Net right-to-use leased assets		3,844,961
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.		(2,244,646)
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.		16,225,217
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)	8,295,293	
Net other postemployment benefits (OPEB) liability	14,788,946	
Aggregate net pension liability	54,899,279	
Total deferred outflows of resources		77,983,518
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	(20,312,736)	
Aggregate net pension liability	(116,269,401)	
Total deferred inflows of resources		(136,582,137)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(160,101,736)

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.		$ (79,371,095)
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	$ (189,142,661)	
Unamortized premium on issuance	(11,659,648)	
Leases	(3,866,281)	
Financed purchase agreement	(6,203,652)	
Supplemental early retiremennt plan	(3,917,931)	
Compensated absences (vacations)	(2,913,735)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(36,520,918)	
Total long-term liabilities		(254,224,826)
Total net position - governmental activities		$ 58,112,449

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 248,880,175	$ -	$ -	$ 248,880,175
Federal sources	32,831,442	-	16,511,823	49,343,265
Other State sources	45,405,610	3,431,174	3,804,584	52,641,368
Other local sources	12,298,224	(438,136)	21,731,175	33,591,263
Total revenues	339,415,451	2,993,038	42,047,582	384,456,071
Expenditures				
Current				
Instruction	184,303,958	-	3,066,729	187,370,687
Instruction-related activities				
Supervision of instruction	9,536,973	-	47,350	9,584,323
Instructional library, media, and technology	3,099,125	-	-	3,099,125
School site administration	17,744,775	-	827,890	18,572,665
Pupil services				
Home-to-school transportation	6,029,827	-	-	6,029,827
Food services	121,668	-	13,272,292	13,393,960
All other pupil services	29,272,470	-	611,744	29,884,214
Administration				
Data processing	10,230,813	-	-	10,230,813
All other administration	17,296,588	-	682,014	17,978,602
Plant services	37,416,662	-	143,545	37,560,207
Ancillary services	2,494,544	-	1,311,266	3,805,810
Community services	234,538	-	-	234,538
Other outgo	3,334,651	-	-	3,334,651
Enterprise services	6,516	-	-	6,516
Facility acquisition and construction	4,383,327	45,495	6,297,622	10,726,444
Debt service				
Principal	291,974	-	14,846,300	15,138,274
Interest and other	916,943	-	5,744,117	6,661,060
Total expenditures	326,715,352	45,495	46,850,869	373,611,716
Excess (Deficiency) of Revenues Over Expenditures	12,700,099	2,947,543	(4,803,287)	10,844,355
Other Financing Sources (Uses)				
Transfers in	-	-	690,265	690,265
Other sources - proceeds from leases	3,596,295	-	-	3,596,295
Transfers out	(3,494,024)	-	-	(3,494,024)
Net Financing Sources (Uses)	102,271	-	690,265	792,536
Net Change in Fund Balances	12,802,370	2,947,543	(4,113,022)	11,636,891
Fund Balance - Beginning, as restated	77,441,151	17,131,679	78,533,541	173,106,371
Fund Balance - Ending	$ 90,243,521	$ 20,079,222	$ 74,420,519	$ 184,743,262

Total Net Change in Fund Balances - Governmental Funds		$ 11,636,891
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which capital outlay exceed depreciation and amortization expense in the period.		
Capital outlay	$ 11,694,330	
Depreciation and amortization expense	(13,796,547)	
Net expense adjustment		(2,102,217)
Right-to-use assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(3,596,295)
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.		4,253,312
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.		(245,403)
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.		17,965,768
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.		(1,275,230)

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	$ 1,065,250
Deferred charge on refunding amortization	(721,532)
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	14,540,000
Leases	330,834
Financed purchase agreement	267,440
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.	(3,998,218)
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.	956,421
Change in net position of governmental activities	$ 39,077,021

	Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 21,113,107
Receivables	92,969
Due from other funds	2,813,488
Total current assets	24,019,564
Liabilities	
Current liabilities	
Accounts payable	102,358
Due to other funds	3,007,754
Current portion of claims liability	46,683
Total current liabilities	3,156,795
Noncurrent liabilities	
Claims liability	4,637,552
Total liabilities	7,794,347
Net Position	
Restricted	$ 16,225,217

	Internal Service Fund
Operating Revenues	
Charges for services	$ 589,570
Operating Expenses	
Payroll costs	3,540,392
Supplies and materials	22,434
Facility rental	365
Provision (credit) for claims and claim adjustment expense	(2,694,838)
Other operating cost	1,249,967
Total operating expenses	2,118,320
Operating Loss	(1,528,750)
Nonoperating Revenues	
Fair market value adjustments	(479,610)
Interest income	161,022
Total nonoperating revenues	(318,588)
Transfers in	2,803,759
Change in Net Position	956,421
Total Net Position - Beginning	15,268,796
Total Net Position - Ending	$ 16,225,217

	Internal Service Fund
Operating Activities	
Cash receipts from interfund services provided	$ 456,246
Cash payments to other suppliers of goods or services	(22,799)
Cash payments to employees for services	(3,540,392)
Other operating cash payments	(1,223,693)
Net Cash Used for Operating Activities	(4,330,638)
Investing Activities	
Fair market value adjustments	(479,610)
Interest on investments	161,022
Net Cash From Investing Activities	(318,588)
Net Cash From Noncapital Financing Activities	
Transfer in from other funds	2,803,759
Net Change in Cash and Cash Equivalents	(1,845,467)
Cash and Cash Equivalents, Beginning	22,958,574
Cash and Cash Equivalents, Ending	$ 21,113,107
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating loss	$ (1,528,750)
Adjustments to reconcile operating loss to net cash used for operating activities	
Changes in assets and liabilities	
Receivables	(17,675)
Due from other fund	(2,654,766)
Accounts payable	26,274
Due to other fund	2,539,117
Claims liability	(2,694,838)
Net Cash Used for Operating Activities	$ (4,330,638)

	Custodial Funds
Assets	
Deposits and investments	$ 5,342,779
Net Position	
Restricted for individuals, organizations, and other governments	$ 5,342,779

	Custodial Funds
Additions	
Contributions	
Collections from property owners	$ 762,842
Interest	30,673
Total contributions	793,515
Deductions	
Payments to investors	771,076
Other expenditures	18,734
Total deductions	789,810
Net Increase In Fiduciary Net Position	3,705
Net Position - Beginning	5,339,074
Net Position - Ending	$ 5,342,779

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.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects no net change in fund balance.

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.).

Non-Major Governmental Funds

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

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

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

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

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

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

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

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

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, 2022.

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.

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

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. 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.

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.

Fund Balances - Governmental Funds

As of June 30, 2022, 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 $108,696,583 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. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 17 and the additional disclosures required by this standard are included in Note 4, Note 5 and Note 9.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	$ 220,246,718
Proprietary funds	21,113,107
Fiduciary funds	5,342,779
Total deposits and investments	$ 246,702,604

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	$ 782,042
Cash in revolving	100,000
Cash with fiscal agent	425,000
Investments	245,395,562
Total deposits and investments	$ 246,702,604

Policies and Practices

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

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

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

General Authorizations

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

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

Interest Rate Risk

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

Specific Identification

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

Investment Type	Reported Amount	Average Maturity in Days
U.S. Bank - Money Market	$ 841,264	Demand
Local Agency Investment Fund	137,520	311
San Bernardino County Treasury Investment Pool	244,416,778	495
Total	$ 245,395,562	

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 AAAf by Fitch Ratings. The Districts 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, 2022.

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, 2022, the District's bank balance of $2,009,153 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund
Federal Government					
Categorical aid	$ 12,610,601	$ -	$ 2,112,803	$ 14,723,404	$ -
State Government					
Categorical aid	2,789,262	-	320,155	3,109,417	-
Lottery	538,692	-	-	538,692	-
Special education	1,608,804	-	-	1,608,804	-
Local Government					
Interest	199,027	36,857	113,053	348,937	45,972
Other local sources	1,278,439	-	122,183	1,400,622	46,997
Total	$ 19,024,825	$ 36,857	$ 2,668,194	$ 21,729,876	$ 92,969

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 40,941,444	$ -	$ -	$ 40,941,444
Construction in progress	23,213,232	6,009,037	-	29,222,269
Total capital assets not being depreciated	64,154,676	6,009,037	-	70,163,713
Capital assets being depreciated				
Land improvements	232,803,324	1,449,396	-	234,252,720
Buildings and improvements	267,657,961	12,141	-	267,670,102
Furniture and equipment	29,448,540	627,461	(826,267)	29,249,734
Total capital assets being depreciated	529,909,825	2,088,998	(826,267)	531,172,556
Total capital assets	594,064,501	8,098,035	(826,267)	601,336,269
Accumulated depreciation				
Land improvements	(47,414,220)	(5,420,824)	-	(52,835,044)
Buildings and improvements	(115,968,159)	(6,104,296)	-	(122,072,455)
Furniture and equipment	(17,495,833)	(1,919,273)	826,267	(18,588,839)
Total accumulated depreciation	(180,878,212)	(13,444,393)	826,267	(193,496,338)
Net depreciable capital assets	349,031,613	(11,355,395)	-	337,676,218
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	600,820	3,596,295	-	4,197,115
Accumulated amortization				
Buildings and improvements	-	(300,411)	-	(300,411)
Furniture and equipment	-	(51,743)	-	(51,743)
Total accumulated amortization	-	(352,154)	-	(352,154)
Net right-to-use leased assets	600,820	3,244,141	-	3,844,961
Governmental activities capital assets and right-to-use leased assets, net	$ 413,787,109	$ (2,102,217)	$ -	$ 411,684,892

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

Governmental Activities	
Instruction	$ 11,036,526
School site administration	725,003
Food services	1,228,355
All other pupil services	268,888
Ancillary Services	537,775
Total depreciation and amortization expenses governmental activities	$ 13,796,547

Note 5 - Lease Receivables

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

Lease Receivable	July 1, 2021 as restated	Addition	Deletion	June 30, 2022
Office Space (1)	$ 271,545	$ -	$ (137,619)	$ 133,926
Office Space (2)	288,649	-	(82,522)	206,127
Office Space (3)	268,776	-	(81,411)	187,365
Office Space (4)	428,812	-	(157,847)	270,965
Total	$ 1,257,782	$ -	$ (459,399)	$ 798,383

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 $137,619 in lease revenue and $7,442 in interest revenue related to the agreement. At June 30, 2022, the District recorded $133,926 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 (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 $82,522 in lease revenue and $9,074 in interest revenue related to the agreement. At June 30, 2022, the District recorded $206,127 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 $81,411 in lease revenue and $8,361 in interest revenue related to the agreement. At June 30, 2022, the District recorded $187,365 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 $157,847 in lease revenue and $12,848 in interest revenue related to the agreement. At June 30, 2022, the District recorded $270,965 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 6 - 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, 2022, between major, non-major governmental funds and the internal service fund are as follows:

	Due From			
Due To	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 1,694,534	$ 3,007,754	$ 4,702,288
Non-Major Governmental Funds	2,085,280	3,107,029	-	5,192,309
Internal Service Fund	2,813,488	-	-	2,813,488
Total	$ 4,898,768	$ 4,801,563	$ 3,007,754	$ 12,708,085

A balance of $346,428 is due from to the General Fund to the Non-Major Governmental Child Development Fund for operating contributions.

A balance of $124,384 is due from the General Fund to the Non-Major Governmental Cafeteria Fund for Kitchen Infrastructure & Training Funds.

A balance of $1,614,468 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 $2,813,488 is due from the General Fund to the Internal Service Fund for a contribution for open insurance claims.

A balance of $219,372 is due from the Non-Major Governmental Child Development Fund to the General Fund for employee benefits and indirect cost

A balance of $1,437,586 is due from the Non-Major Governmental Cafeteria Fund to the General Fund for employee benefits, temporary loans, indirect costs, and operating costs.

A balance of $3,106,029 is due from the Non-Major Governmental Capital Facilities Fund to the Non-Major Governmental Special Reserve Fund for Capital Outlay Projects for Redevelopment Agency revenues.

The balance of $3,007,754 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, 2022, consisted of the following:

The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions and an in-kind match.	$ 690,265
The General Fund transferred to the Internal Service Fund a contribution for open claims.	2,803,759
Total	$ 3,494,024

Note 7 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund
Vendor payables	$ 8,555,822	$ 11,375	$ 596,072	$ 9,163,269	$ 102,358
LCFF apportionment	24,046,846	-	-	24,046,846	-
Salaries and benefits	15,958,159	-	316,021	16,274,180	-
Due to regional occupational program	296,248	-	-	296,248	-
Return of funds that were erroneously deposited in County Treasury account	-	6,000,000	-	6,000,000	-
Total	$ 48,857,075	$ 6,011,375	$ 912,093	$ 55,780,543	$ 102,358

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund
Federal financial assistance	$ 3,438,709
State categorical aid	367,547
Total	$ 3,806,256

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

Summary

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

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 235,913,847	$ 4,289,732	$ (14,540,000)	$ 225,663,579	$ 7,590,000
Unamortized debt premiums	12,724,898	-	(1,065,250)	11,659,648	-
Leases	600,820	3,596,295	(330,834)	3,866,281	881,020
Financed purchase agreement	6,471,092	-	(267,440)	6,203,652	277,563
Supplemental early retirement plan	8,171,243	-	(4,253,312)	3,917,931	1,305,977
Claims liability	7,379,073	-	(2,694,838)	4,684,235	46,683
Compensated absences	2,668,332	245,403	-	2,913,735	-
Total	$ 273,929,305	$ 8,131,430	$ (23,151,674)	$ 258,909,061	$ 10,101,243

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 and supplemental early retirement plan are made from the General Fund. The claims liability will be paid by the Internal Service Fund. The compensated absences will be paid by the General Fund, the Adult Education Fund, the Child Development Fund, the Cafeteria Fund, the Building Fund, and the Self-Insurance Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
7/14/2004	2/1/2029	2.00-5.89%	$ 23,177,726	$ 5,867,603	$ -	$ 394,735	$ -	$ 6,262,338
1/11/2006	2/1/2038	3.17-5.12%	50,122,151	3,721,076	-	304,082	-	4,025,158
8/31/2010	8/1/2046	5.00-12.00%	41,938,348	53,255,926	-	3,524,681	-	56,780,607
7/7/2011	8/1/2026	5.458-6.008%	11,900,000	11,900,000	-	-	(7,150,000)	4,750,000
5/31/2012	8/1/2026	2.00-5.00%	22,190,000	3,050,000	-	-	(1,490,000)	1,560,000
5/1/2013	8/1/2027	2.00-5.00%	38,625,000	9,040,000	-	-	(2,935,000)	6,105,000
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	22,445,000	-	-	(320,000)	22,125,000
8/2/2016	8/1/2046	2.00-5.00%	51,540,000	49,060,000	-	-	(1,790,000)	47,270,000
10/14/2020	8/1/2046	0.50-4.00%	14,997,444	14,014,242	-	66,234	-	14,080,476
10/14/2020	8/1/2035	0.437-2.371%	44,550,000	44,550,000	-	-	(855,000)	43,695,000
				$ 235,913,847	$ -	$ 4,289,732	$ (14,540,000)	$ 225,663,579

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, 2022, the principal balance outstanding on the 2001 General Obligation Bonds, Series B was $6,262,338.

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, 2022, the principal balance outstanding on the 2001 General Obligation Bonds, Series C was $4,025,158.

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, 2022, the principal balance outstanding on the 2008 General Obligation Bonds, Series B was $56,780,607.

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, 2022, the principal balance outstanding on the 2008 General Obligation Bonds, Series C was $4,750,000 and unamortized premium on issuance was $823,706.

2012 General Obligation Refunding Bonds

On May 31, 2012, the District issued the 2012 General Obligation Refunding Bonds in the amount of $22,190,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2026, with interest rates ranging from 2.00 to 5.00%. As of June 30, 2022, the principal balance outstanding on the 2012 General Obligation Refunding Bonds was $1,560,000 and deferred charges on refunding was $147,427.

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, 2022, the principal balance outstanding on the 2013 General Obligation Refunding Bonds was $6,105,000 and unamortized premium on issuance was $106,595.

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, 2022, the principal balance outstanding on the 2016 General Obligation Refunding Bonds was $19,010,000 and unamortized premium on issuance was $1,277,328.

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, 2022, the principal balance outstanding on the 2008 General Obligation Bonds, Series D was $22,125,000 and unamortized premium on issuance was $1,665,171.

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, 2022, the principal balance outstanding on the 2016 General Obligation Refunding Bonds, Series B was $47,270,000 and unamortized premium on issuance and deferred charges on refunding were $6,229,212 and $4,591,271, 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, 2022, the principal balance outstanding on the 2008 General Obligation Bonds, Series E was $14,080,476 and unamortized premium on issuance was $1,557,636.

2020 General Obligation Refunding Bonds

On October 14, 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of $44,550,000. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2035, with interest rates ranging from 0.437 to 2.371%. The net proceeds of $43,981,862, (representing the principal amount of $44,550,000, less costs of issuance of $568,138) were used to advance refund portions of the District's outstanding 2008 General Obligation Bonds Series B, 2012 General Obligation Refunding Bonds, and 2013 General Obligation Refunding Bonds, and to pay the costs of issuance associated with the refunding bonds. As of June 30, 2022, the principal balance outstanding on the 2020 General Obligation Refunding Bonds was $43,695,000 and deferred charges on refunding was $3,556,595.

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
2023	$ 7,590,000	$ -	$ 5,224,196	$ 12,814,196
2024	8,403,110	36,890	4,920,229	13,360,229
2025	8,954,944	120,056	4,690,151	13,765,151
2026	9,378,812	246,188	4,501,032	14,126,032
2027	14,646,400	423,600	4,139,457	19,209,457
2028-2032	50,187,148	7,062,852	16,042,597	73,292,597
2033-2037	59,332,597	15,535,113	7,824,190	82,691,900
2038-2042	30,069,419	51,110,727	3,703,950	84,884,096
2043-2047	37,101,149	54,712,050	2,659,276	94,472,475
Total	$ 225,663,579	$ 129,247,476	$ 53,705,078	$ 408,616,133

Leases

The District has entered into agreements to lease relocatable classrooms and equipment. The District's liability on lease agreements is summarized below:

Lease	July 1, 2021 as restated	Addition	Payments	June 30, 2022
Postage Machine	$ -	$ 68,537	$ (16,375)	$ 52,162
Relocatable Classrooms (1)	235,385	-	(120,000)	115,385
Relocatable Classrooms (2)	365,435	-	(186,300)	179,135
High Production Copiers (1)	-	1,326,113	(8,159)	1,317,954
High Production Copiers (2)	-	2,201,645	-	2,201,645
Total	$ 600,820	$ 3,596,295	$ (330,834)	$ 3,866,281

Postage Machine

The District entered an agreement to lease a postage machine for 36 months, beginning August 2021. The lease terminates August 2024. Under the terms of the lease, the District pays a quarterly base fee of $6,089. At June 30, 2022, the District has recognized a right-to-use asset of $49,845 and a lease liability of $52,162 related to this agreement. During the fiscal year, the District recorded $18,692 in amortization expense and $1,893 in interest expense for the right-to-use the postage machine. The District used a discount rate of 4.00%, which was based on a base rate established from the District's own publicly traded debt, which was then adjusted for the specific terms of the lease and the District's credit rating.

Relocatable Classrooms (1)

The District entered an agreement to lease relocatable classrooms for 36 months, beginning July 2020. The lease terminates June 2023. Under the terms of the lease, the District pays an annual base fee of $120,000. At June 30, 2022, the District has recognized a right-to-use asset of $117,692 and a lease liability of $115,385 related to this agreement. During the fiscal year, the District recorded $117,693 in amortization expense and $0 in interest expense for the right-to-use the relocatable classrooms. The District used a discount rate of 4.00%, which was based on a base rate established from the District's own publicly traded debt, which was then adjusted for the specific terms of the lease and the District's credit rating.

Relocatable Classrooms (2)

The District entered an agreement to lease relocatable classrooms for 36 months, beginning July 2020. The lease terminates June 2023. Under the terms of the lease, the District pays an annual base fee of $186,300. At June 30, 2022, the District has recognized a right-to-use asset of $182,717 and a lease liability of $179,135 related to this agreement. During the fiscal year, the District recorded $182,718 in amortization expense and $0 in interest expense for the right-to-use the relocatable classrooms. The District used a discount rate of 4.00%, which was based on a base rate established from the District's own publicly traded debt, which was then adjusted for the specific terms of the lease and the District's credit rating.

High Production Copiers (1)

The District entered an agreement to lease high production copiers for 60 months, beginning March 2022. The lease terminates March 2027. Under the terms of the lease, the District pays a monthly base fee of $25,840. At June 30, 2022, the District has recognized a right-to-use asset of $1,302,848 and a lease liability of $1,317,954 related to this agreement. During the fiscal year, the District recorded $23,265 in amortization expense and $17,682 in interest expense for the right-to-use the high production copiers. The District used a discount rate of 4.00%, which was based on a base rate established from the District's own publicly traded debt, which was then adjusted for the specific terms of the lease and the District's credit rating.

High Production Copiers (2)

The District entered an agreement to lease high production copiers for 60 months, beginning June 2022. The lease terminates June 2027. Under the terms of the lease, the District pays a monthly base fee of $42,901, with the first payment due in October 2023. At June 30, 2022, the District has recognized a right-to-use asset of $2,191,859 and a lease liability of $2,201,645 related to this agreement. During the fiscal year, the District recorded $9,786 in amortization expense for the right-to-use the high production copiers. The District used a discount rate of 4.00%, which was based on a base rate established from the District's own publicly traded debt, which was then adjusted for the specific terms of the lease and the District's credit rating.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 881,020	$ 145,836	$ 1,026,856
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	$ 3,866,281	$ 386,982	$ 4,253,263

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
2023	$ 277,563	$ 230,059	$ 507,622
2024	288,069	219,553	507,622
2025	298,973	208,649	507,622
2026	310,289	197,332	507,621
2027	322,034	185,587	507,621
2028-2032	1,802,508	735,601	2,538,109
2033-2037	2,170,468	367,640	2,538,108
2038-2039	733,748	27,686	761,434
Total	$ 6,203,652	$ 2,172,107	$ 8,375,759

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
2023	$ 1,305,977
2024	1,305,977
2025	1,305,977
Total	$ 3,917,931

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, 2022, amounted to $4,684,235, using a discount factor of 1.00%.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to $2,913,735.

Note 10 - 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 $8,475,000 as of June 30, 2022, does not represent debt of the District and, as such, does not appear in the financial statements.

Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 78,087,775	$ 14,788,946	$ 20,312,736	$ 5,655,557
Medicare Premium Payment (MPP) Program	1,283,320	-	-	(274,862)
Total	$ 79,371,095	$ 14,788,946	$ 20,312,736	$ 5,380,695

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	1,959
Total	2,179

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, 2021, the District paid $3,059,696 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $78,087,775 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	1.92%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.00% for 2021, 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

	Total OPEB Liability
Balance, June 30, 2021	$ 70,257,937
Service cost	5,410,531
Interest	1,816,623
Differences between expected and actual experience	8,558,384
Changes of assumptions or other inputs	(4,896,004)
Benefit payments	(3,059,696)
Net change in total OPEB liability	7,829,838
Balance, June 30, 2022	$ 78,087,775

Changes of assumptions and other inputs reflect a change in the investment rate of return from 2.45% in 2021 to 1.92% in 2022 and a change in the healthcare cost trend rate from 5.90% in 2021 to 6.00% 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 (0.92%)	$ 83,241,953
Current discount rate (1.92%)	78,087,775
1% increase (2.92%)	73,028,792

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 (5.00% for 2021, decreasing to an ultimate rate of 3.00% for 2070 and later years)	$ 69,193,985
Current healthcare cost trend rate (6.00% for 2021, decreasing to an ultimate rate of 4.00% for 2070 and later years)	78,087,775
1% increase (7.00% for 2021, decreasing to an ultimate rate of 5.00% for 2070 and later years)	88,663,226

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 5,655,557. At June 30,2022, 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	$ 4,105,465	$ -
Differences between expected and actual experience	7,743,300	11,954,261
Changes of assumptions	2,940,181	8,358,475
Total	$ 14,788,946	$ 20,312,736

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
2023	$ (1,571,597)
2024	(1,571,597)
2025	(1,318,280)
2026	(1,296,602)
2027	(1,333,843)
Thereafter	(2,537,336)
Total	$ (9,629,255)

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, 2020 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, 2022, the District reported a liability of $1,283,320 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021 and June 30, 2020, respectively, was 0.3217%, and 0.3198%, resulting in a net increase in the proportionate share of 0.0019 %.

For the year ended June 30, 2022, the District recognized OPEB expense of ($274,862).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30,-2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
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, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

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, 2021, 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, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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:

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 1,414,570
Current discount rate (2.16%)	1,283,320
1% increase (3.16%)	1,171,179

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:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 1,167,029
Current Medicare costs trend rate	
(4.50% Part A and 5.40% Part B)	1,283,320
1% increase (5.50% Part A and 6.40% Part B)	1,416,643

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 75,000	$ -	$ 25,000	$ 100,000
Stores inventories	731,181	-	124,147	855,328
Prepaid expenditures	1,303,873	-	-	1,303,873
Total nonspendable	2,110,054	-	149,147	2,259,201
Restricted				
Educational programs	34,615,134	-	3,430,514	38,045,648
Food service	-	-	35,510,161	35,510,161
Capital projects	-	20,079,222	-	20,079,222
Debt service	-	-	21,081,375	21,081,375
Total restricted	34,615,134	20,079,222	60,022,050	114,716,406
Assigned				
Vehicle replacement	2,600,000	-	-	2,600,000
Future facility needs	6,000,000	-	-	6,000,000
Field replacement	3,000,000	-	-	3,000,000
Future custodial support	3,300,000	-	-	3,300,000
PO rollovers	856,713	-	-	856,713
Reserve for deficit spending	14,939,496	-	-	14,939,496
Unrestricted lottery	277,395	-	-	277,395
Child development program	-	-	226,678	226,678
Capital projects	-	-	14,022,644	14,022,644
Total assigned	30,973,604	-	14,249,322	45,222,926
Unassigned				
Reserve for economic uncertainties	22,544,729	-	-	22,544,729
Total	$ 90,243,521	$ 20,079,222	$ 74,420,519	$ 184,743,262

Note 13 - 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, 2022, the District participated in Unified Schools Insurance Program (USIP) public entity risk pool 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 Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2020 to June 30, 2022:

	Workers' Compensation
Liability Balance, July 1, 2020	$ 7,027,688
Claims and changes in estimates	449,441
Claims payments	(98,056)
Liability Balance, July 1, 2021	7,379,073
Claims and changes in estimates	(2,648,155)
Claims payments	(46,683)
Liability Balance, June 30, 2022	$ 4,684,235
Assets available to pay claims at June 30, 2022	$ 22,647,869

Note 14 - 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, 2022, 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	$ 97,407,408	$ 40,685,591	$ 90,787,196	$ 6,692,900
CalPERS	62,694,328	14,213,688	25,482,205	6,227,359
Total	$ 160,101,736	$ 54,899,279	$ 116,269,401	$ 12,920,259

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, 2020, 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, 2022, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

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, 2022, are presented above and the District's total contributions were $19,998,642.

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

At June 30, 2022, 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	$ 97,407,408
State's proportionate share of the net pension liability	49,011,630
Total	$ 146,419,038

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.2140% and 0.2110%, resulting in a net increase in the proportionate share of 0.0030%.

For the year ended June 30, 2022, the District recognized pension expense of $6,692,900. In addition, the District recognized pension expense and revenue of $1,676,872 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 19,998,642	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,641,343	3,369,250
Differences between projected and actual earnings on pension plan investments	-	77,051,768
Differences between expected and actual experience in the measurement of the total pension liability	244,011	10,366,178
Changes of assumptions	13,801,595	-
Total	$ 40,685,591	$ 90,787,196

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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (19,566,528)
2024	(17,896,981)
2025	(18,341,123)
2026	(21,247,136)
Total	$ (77,051,768)

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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 5,834,785
2024	7,369,869
2025	(2,186,993)
2026	(1,805,876)
2027	(1,145,033)
Thereafter	(1,115,231)
Total	$ 6,951,521

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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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, 2021, 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%)	$ 198,286,618
Current discount rate (7.10%)	97,407,408
1% increase (8.10%)	13,679,589

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, 2020 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, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.910%	22.910%

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, 2022, are presented above and the total District contributions were $10,887,385.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $62,694,328. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.3083% and 0.3016%, resulting in a net increase in the proportionate share of 0.0067%.

For the year ended June 30, 2022, the District recognized pension expense of $6,227,359. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,887,385	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,454,716	1,274,192
Differences between projected and actual earnings on pension plan investments	-	24,060,217
Differences between expected and actual experience in the measurement of the total pension liability	1,871,587	147,796
Total	$ 14,213,688	$ 25,482,205

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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (6,034,282)
2024	(5,549,063)
2025	(5,785,259)
2026	(6,691,613)
Total	$ (24,060,217)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 1,121,088
2024	336,686
2025	404,382
2026	42,159
Total	$ 1,904,315

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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 105,711,440
Current discount rate (7.15%)	62,694,328
1% increase (8.15%)	26,980,895

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 $57,629 during the year ended June 30, 2022.

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 $13,765,738 (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 15 - 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, 2022.

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, 2022.

Construction Commitments

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Bloomington HS Parking Lot Expansion	$ 48,160	August, 2022
Bloomington HS Baseball / Softball Scoreboards	8,624	August, 2022
Colton HS Seating Refurbishing	524,230	September, 2022
Colton HS MPR New Construction	254,132	November, 2022
850/900 Washington Phase 4	20,000	December, 2022
Bloomington HS Auditorium Audio-Visual & Lighting	558,759	January, 2023
Colton HS Auditorium Rigging	972,736	February, 2023
850/900 Washington Phase 3	62,525	March, 2023
Crestmore ES ADA Upgrades	7,320	September, 2023
Colton HS CTE Culinary Arts	113,839	December, 2023
Terrace Hills MS New Classroom	51,650	TBD
Wilson ES Classroom / Parking Addition	4,050	TBD
Total	$ 2,626,025	

Note 16 - Participation in Public Entity Risk Pools, Joint Powers Authorities

The District is a member of the Unified Schools Insurance Program (USIP), California Schools Risk Management (CSRM), 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 CSRM 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, 2022, the District made payments of $1,920,347 to USIP, $137,351 to CSRM, $35,977,231 to SCSEBA, and $2,313,722 to CVT for property and liability coverage, excess workers' compensation insurance, and health benefits coverage.

Note 17 - Adoption of New Accounting Standard - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning governmental activities net position and fund balance were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 19,035,428
Lease receivable(s)	1,257,782
Right-to-use intangible asset, net of amortization	600,820
Lease liability	(600,820)
Deferred inflows of resources related to leases	(1,257,782)
Net Position - Beginning as restated	$ 19,035,428
General Fund	
Fund Balance - Beginning	$ 77,441,151
Lease receivable(s)	1,257,782
Deferred inflows of resources related to leases	(1,257,782)
Fund Balance - Beginning as restated	$ 77,441,151

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 243,745,702	$ 248,647,391	$ 248,880,175	$ 232,784
Federal sources	37,284,803	30,558,530	32,831,442	2,272,912
Other State sources	30,312,409	42,184,640	45,405,610	3,220,970
Other local sources	10,085,584	13,245,841	12,298,224	(947,617)
Total revenues [1]	321,428,498	334,636,402	339,415,451	4,779,049
Expenditures				
Current				
Certificated salaries	119,839,868	122,938,420	125,522,254	(2,583,834)
Classified salaries	44,651,719	44,336,608	43,803,156	533,452
Employee benefits	84,911,581	84,304,884	85,814,018	(1,509,134)
Books and supplies	33,354,928	25,201,606	23,920,338	1,281,268
Services and operating expenditures	38,172,987	39,473,619	38,507,801	965,818
Other outgo	3,427,588	2,979,444	5,648,474	(2,669,030)
Capital outlay	6,621,935	2,769,288	2,290,394	478,894
Debt service				
Debt service - principal	803,526	803,526	291,974	511,552
Debt service - interest and other	368,544	368,544	916,943	(548,399)
Total expenditures [1]	332,152,676	323,175,939	326,715,352	(3,539,413)
Excess (Deficiency) of Revenues Over Expenditures	(10,724,178)	11,460,463	12,700,099	1,239,636
Other Financing Sources (Uses)				
Other sources	-	-	3,596,295	3,596,295
Transfers out	(1,951,503)	(5,044,916)	(3,494,024)	1,550,892
Net Financing Sources (Uses)	(1,951,503)	(5,044,916)	102,271	5,147,187
Net Change in Fund Balances	(12,675,681)	6,415,547	12,802,370	6,386,823
Fund Balance - Beginning	77,441,151	77,441,151	77,441,151	-
Fund Balance - Ending	$ 64,765,470	$ 83,856,698	$ 90,243,521	$ 6,386,823

[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.

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 5,410,531	$ 4,262,009	$ 4,470,257	$ 4,668,624	$ 4,888,948
Interest	1,816,623	2,085,364	2,507,730	2,480,296	2,080,731
Difference between expected and actual experience	8,558,384	-	(16,673,048)	-	-
Changes of assumptions	(4,896,004)	3,125,974	(4,318,694)	906,151	(2,641,755)
Benefit payments	(3,059,696)	(3,132,772)	(3,475,735)	(2,444,552)	(2,563,737)
Net change in total OPEB liability	7,829,838	6,340,575	(17,489,490)	5,610,519	1,764,187
Total OPEB Liability - Beginning	70,257,937	63,917,362	81,406,852	75,796,333	74,032,146
Total OPEB Liability - Ending	$ 78,087,775	$ 70,257,937	$ 63,917,362	$ 81,406,852	$ 75,796,333
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.2140%	0.2110%	0.2105%	0.2115%	0.2146%	0.2137%	0.2250%	0.1769%
Proportionate share of the net pension liability	$ 97,407,408	$ 172,845,053	$ 190,102,590	$ 194,360,212	$ 198,446,468	$ 172,845,053	$ 151,324,885	$ 103,371,864
State's proportionate share of the net pension liability	49,011,630	105,415,274	103,713,654	111,280,312	117,399,254	98,397,605	80,034,183	62,420,395
Total	$ 146,419,038	$ 278,260,327	$ 293,816,244	$ 305,640,524	$ 315,845,722	$ 271,242,658	$ 231,359,068	$ 165,792,259
Covered payroll	$ 115,817,313	$ 116,124,965	$ 113,990,633	$ 113,178,184	$ 112,876,176	$ 110,064,520	$ 100,405,991	90,159,745
Proportionate share of the net pension liability as a percentage of its covered payroll	84.10%	148.84%	166.77%	171.73%	175.81%	157.04%	150.71%	114.65%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.3083%	0.3016%	0.2993%	0.3028%	0.3058%	0.3145%	0.3033%	0.2882%
Proportionate share of the net pension liability	$ 62,694,328	$ 92,548,027	$ 87,237,702	$ 80,730,160	$ 73,003,592	$ 62,106,696	$ 44,709,448	$ 32,721,211
Covered payroll	$ 44,345,836	$ 43,608,336	$ 41,572,533	$ 40,055,772	$ 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	141.38%	212.23%	209.84%	201.54%	187.35%	164.69%	133.38%	108.23%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	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.

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	$ 19,998,642	$ 18,704,496	$ 19,857,369	$ 18,557,675	$ 16,331,612	$ 14,199,823	$ 11,809,923	$ 8,916,052
Less contributions in relation to the contractually required contribution	19,998,642	18,704,496	19,857,369	18,557,675	16,331,612	14,199,823	11,809,923	8,916,052
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 118,195,284	$ 115,817,313	$ 116,124,965	$ 113,990,633	$ 113,178,184	$ 112,876,176	$ 110,064,520	$ 100,405,991
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	$ 10,887,385	$ 9,179,588	$ 8,600,000	$ 7,508,831	$ 6,221,062	$ 5,411,568	$ 4,467,629	$ 3,945,666
Less contributions in relation to the contractually required contribution	10,887,385	9,179,588	8,600,000	7,508,831	6,221,062	5,411,568	4,467,629	3,945,666
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 47,522,414	$ 44,345,836	$ 43,608,336	$ 41,572,533	$ 40,055,772	$ 38,965,783	$ 37,711,058	$ 33,520,228
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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.

At June 30, 2022, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
General Fund	$ 328,220,855	$ 330,209,376	$ 1,988,521

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 and other inputs reflect a change in the investment rate of return from 2.45% in 2021 to 1.92% in 2022 and a change in the healthcare cost trend rate from 5.90% in 2021 to 6.00% 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 rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

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

Schedule of 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.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 7,821,466
School Improvement Funding for LEAs	84.010	15438	390,507
Subtotal			8,211,973
Title II, Part A, Supporting Effective Instruction	84.367	14341	941,985
Title III, English Learner Student Program	84.365	14346	587,792
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	1,213,041
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	774,225
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	168,102
Adult Education: Adult Basic Education & ELA	84.002A	14508	54,966
Adult Education: Adult Secondary Education	84.002	13978	51,392
Subtotal			106,358
Education Stabilization Fund			
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	575,424
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	557
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	6,365,499
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	321,517
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	5,687,901
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	1,412,553
Subtotal Education Stabilization Fund			14,363,451
Passed through East Valley Special Education Local Plan Area			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,973,927
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	39,912
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	858,694
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	8,624
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	238,076
Subtotal			5,119,233
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	94,517
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	73,646
Subtotal			168,163
Subtotal Special Education (IDEA) Cluster			5,287,396
Total U.S. Department of Education			31,654,323

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through CDE			
Child Care Development Fund (CCDF) Cluster			
COVID-19 Child Development: ARP California State Preschool Program One-time Stipend	93.575	15640	$ 90,600
Subtotal Child Care Development Fund (CCDF) Cluster			90,600
Head Start Cluster			
Head Start	93.600	10016	1,279,498
Subtotal Head Start Cluster			1,279,498
Total U.S. Department of Health and Human Services			1,370,098
U.S. Department of Defense			
Reserve Officer Training Corps (ROTC)	12.357	[1]	177,113
Total U.S. Department of Defense			177,113
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Program Cluster			
School Lunch - Section 4	10.555	13523	4,192,828
School Lunch - Section 11	10.553	13524	6,051,107
Especially Needy Breakfast Program	10.553	13526	1,888,560
COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	932,449
Commodities	10.555	13396	607,408
Subtotal - Child Nutrition Program Cluster			13,672,352
COVID-19 Pandemic EBT local Administrative Grant	10.649	15644	5,814
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13529	788,450
Child and Adult Care Food Program - Cash in Lieu	10.558	13534	53,830
COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.558	15577	88,946
Subtotal			931,226
Total U.S. Department of Agriculture			14,609,392
Federal Communications Commission (FCC)			
COVID-19 Emergency Connectivity Fund Program	32.009	[1]	1,135,890
Total Federal Communications Commission (FCC)			1,135,890
Total Federal Financial Assistance			$ 48,946,816

[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

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

ADMINISTRATION

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,117.25	5,158.63
Fourth through sixth	4,163.81	4,182.17
Seventh and eighth	2,816.41	2,827.18
Ninth through twelfth	5,718.88	5,662.12
Total Regular ADA	17,816.35	17,830.10
Extended Year Special Education		
Transitional kindergarten through third	0.72	0.72
Fourth through sixth	0.39	0.39
Seventh and eighth	0.18	0.18
Ninth through twelfth	0.65	0.65
Total Extended Year Special Education	1.94	1.94
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	0.72
Fourth through sixth	3.50	4.51
Seventh and eighth	2.76	2.68
Ninth through twelfth	11.88	12.90
Total Special Education, Nonpublic, Nonsectarian Schools	18.14	20.81
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.00	1.00
Seventh and eighth	1.00	1.00
Ninth through twelfth	11.99	11.99
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	13.99	13.99
Total ADA	17,850.42	17,866.84

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar Number of Actual Days	Traditional Calendar Number of Days Credited Form J-13A	Traditional Calendar Total Days Offered	Multitrack Calendar Number of Actual Days	Multitrack Calendar Number of Days Credited Form J-13A	Multitrack Calendar Total Days Offered	Status
Kindergarten	36,000	36,900	-	36,900	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		54,590	-	54,590	180	-	180	N/A	N/A	N/A	Complied
Grade 2		54,590	-	54,590	180	-	180	N/A	N/A	N/A	Complied
Grade 3		54,590	-	54,590	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		54,590	-	54,590	180	-	180	N/A	N/A	N/A	Complied
Grade 5		54,590	-	54,590	180	-	180	N/A	N/A	N/A	Complied
Grade 6		54,590	-	54,590	180	-	180	N/A	N/A	N/A	Complied
Grade 7		60,322	-	60,322	180	-	180	N/A	N/A	N/A	Complied
Grade 8		60,322	-	60,322	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

Summarized below are the proprietary fund net position reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Internal Service Fund
Net Position	
Net Position, June 30, 2022, Unaudited Actuals	$ 13,530,379
Decrease in	
Claims liability	2,694,838
Net Position, June 30, 2022, Audited Financial Statements	$ 16,225,217

	(Budget) 2023 [1]	2022	2021 [1]	2020 [1]
General Fund [3]				
Revenues	$ 364,124,157	$ 339,422,591	$ 330,106,323	$ 286,529,030
Other sources	-	1,568,871	-	-
Total revenues and other sources	364,124,157	340,991,462	330,106,323	286,529,030
Expenditures	400,117,006	323,869,976	292,604,552	288,147,771
Other uses	4,058,277	3,494,024	4,798,290	8,283,349
Total expenditures and other uses	404,175,283	327,364,000	297,402,842	296,431,120
Increase/(Decrease) in Fund Balance	(40,051,126)	13,627,462	32,703,481	(9,902,090)
Ending Fund Balance	$ 50,192,395	$ 90,243,521	$ 76,616,059	$ 43,912,578
Available Reserves [2,4]	$ 12,125,300	$ 22,544,729	$ 8,922,100	$ 4,677,236
Available Reserves as a Percentage of Total Outgo [4]	3.00%	6.89%	3.00%	1.58%
Long-Term Liabilities including OPEB and pension	N/A	$ 498,381,892	$ 642,784,720	$ 593,234,634
K-12 Average Daily Attendance at P-2	18,626	17,850	20,339	20,339

The General Fund balance has increased by $46,330,943 over the past two years. The fiscal year 2022-2023 budget projects a decrease of $40,051,126 (44.4%). 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 two of the past three years but anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by $94,852,742 over the past two years.

Average daily attendance has decreased by 2,489 over the past two years. An increase of 776 ADA is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 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.

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

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund
Assets					
Deposits and investments	$ 776,042	$ 42,091	$ 551,793	$ 1,365,301	$ 20,099,966
Receivables	-	212,748	172,454	2,114,104	45,201
Due from other funds	-	-	346,428	124,384	-
Stores inventories	-	-	-	124,147	-
Total assets	$ 776,042	$ 254,839	$ 1,070,675	$ 3,727,936	$ 20,145,167
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 62,828	$ 168,100	$ 135,267	$ 141,457
Due to other funds	-	-	219,372	1,437,586	3,417
Total liabilities	-	62,828	387,472	1,572,853	144,874
Fund Balances					
Nonspendable	-	-	-	149,147	-
Restricted	776,042	192,011	456,525	2,005,936	20,000,293
Assigned	-	-	226,678	-	-
Total fund balances	776,042	192,011	683,203	2,155,083	20,000,293
Total liabilities and fund balances	$ 776,042	$ 254,839	$ 1,070,675	$ 3,727,936	$ 20,145,167

	Capital 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	$ 18,932,814	$ 9,300,042	$ 101	$ 21,081,375	$ 72,149,525
Receivables	103,185	20,502	-	-	2,668,194
Due from other funds	-	4,721,497	-	-	5,192,309
Stores inventories	-	-	-	-	124,147
Total assets	$ 19,035,999	$ 14,042,041	$ 101	$ 21,081,375	$ 80,134,175
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 385,044	$ 19,397	$ -	$ -	$ 912,093
Due to other funds	3,141,188	-	-	-	4,801,563
Total liabilities	3,526,232	19,397	-	-	5,713,656
Fund Balances					
Nonspendable	-	-	-	-	149,147
Restricted	15,509,767	-	101	21,081,375	60,022,050
Assigned	-	14,022,644	-	-	14,249,322
Total fund balances	15,509,767	14,022,644	101	21,081,375	74,420,519
Total liabilities and fund balances	$ 19,035,999	$ 14,042,041	$ 101	$ 21,081,375	$ 80,134,175

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Building Fund
Revenues					
Federal sources	$ -	$ 106,358	$ 1,399,624	$ 14,609,392	$ -
Other State sources	-	681,240	2,171,127	866,114	-
Other local sources	1,392,615	(905)	113,113	94,121	(358,068)
Total revenues	1,392,615	786,693	3,683,864	15,569,627	(358,068)
Expenditures					
Current					
Instruction	-	174,385	2,892,344	-	-
Instruction-related activities					
Supervision of instruction	-	34,448	12,902	-	-
School site administration	-	223,035	604,855	-	-
Pupil services					
Food services	-	-	115,732	13,156,560	-
All other pupil services	-	360,981	250,763	-	-
Administration					
All other administration	-	-	166,756	458,530	-
Plant services	-	573	141,520	-	-
Ancillary services	1,311,266	-	-	-	-
Facility acquisition and construction	-	-	-	-	1,703,281
Debt service					
Principal	-	-	-	6,000	-
Interest and other	-	-	-	-	-
Total expenditures	1,311,266	793,422	4,184,872	13,621,090	1,703,281
Excess (Deficiency) of Revenues Over Expenditures	81,349	(6,729)	(501,008)	1,948,537	(2,061,349)
Other Financing Sources					
Transfers in	-	-	690,265	-	-
Net Change in Fund Balances	81,349	(6,729)	189,257	1,948,537	(2,061,349)
Fund Balance - Beginning	694,693	198,740	493,946	206,546	22,061,642
Fund Balance - Ending	$ 776,042	$ 192,011	$ 683,203	$ 2,155,083	$ 20,000,293

	Capital 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	$ -	$ -	$ -	$ 396,449	$ 16,511,823
Other State sources	-	-	-	86,103	3,804,584
Other local sources	78,649	4,643,408	-	15,768,242	21,731,175
Total revenues	78,649	4,643,408	-	16,250,794	42,047,582
Expenditures					
Current					
Instruction	-	-	-	-	3,066,729
Instruction-related activities					
Supervision of instruction	-	-	-	-	47,350
School site administration	-	-	-	-	827,890
Pupil services					
Food services	-	-	-	-	13,272,292
All other pupil services	-	-	-	-	611,744
Administration					
All other administration	56,728	-	-	-	682,014
Plant services	1,452	-	-	-	143,545
Ancillary services	-	-	-	-	1,311,266
Facility acquisition and construction	3,251,372	1,342,969	-	-	6,297,622
Debt service					
Principal	300,300	-	-	14,540,000	14,846,300
Interest and other	-	-	-	5,744,117	5,744,117
Total expenditures	3,609,852	1,342,969	-	20,284,117	46,850,869
Excess (Deficiency) of Revenues Over Expenditures	(3,531,203)	3,300,439	-	(4,033,323)	(4,803,287)
Other Financing Sources					
Transfers in	-	-	-	-	690,265
Net Change in Fund Balances	(3,531,203)	3,300,439	-	(4,033,323)	(4,113,022)
Fund Balance - Beginning	19,040,970	10,722,205	101	25,114,698	78,533,541
Fund Balance - Ending	$ 15,509,767	$ 14,022,644	$ 101	$ 21,081,375	$ 74,420,519

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, 2022. 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, 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. An insignificant balance of food commodities remains in inventory at year end.

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

Description	Federal Financial Assistance Listing	Amount
Total Federal Revenues reported on the financial statements		$ 49,343,265
Qualified School Construction Bonds - Interest Subsidy	[1]	(396,449)
Total federal financial assistance		$ 48,946,816

[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.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003 to be a significant deficiency.

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 December 15, 2022.

Colton Joint Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rancho Cucamonga, California
December 15, 2022

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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit 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 sign 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 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 the 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. 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.

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
December 15, 2022

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 *2021-2022 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 *2021-2022 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 *2021-2022 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:

2021-2022 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	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
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
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
In Person Instruction Grant	No, see below
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

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

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

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.

We did not perform In Person Instruction Grant procedures because the District did not receive funding for this grant.

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 identify 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 *2021-2022 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
December 15, 2022

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
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

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 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 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U
Special Education (IDEA) Cluster	84.027, 84.027A, 84.173

Dollar threshold used to distinguish between type A and type B programs	$1,468,404
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

The following findings represent material weaknesses and a significant deficiency related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control

2022-001 30000

Criteria or Specific Requirements

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.

Repeat Finding

No.

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.

Corrective Action Plan and Views of Responsible Officials

The Fiscal Services staff have worked with the Human Resources staff to transition the responsibility of editing information that affects employee's salaried earning to Human Resources. The access to edit this information will be deactivated for Fiscal Services staff.

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.

Repeat Finding

No.

Recommendation

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

Corrective Action Plan and Views of Responsible Officials

The District will include liability adjustments to the end of year checklist to ensure this is not overlooked in the future.

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.

Repeat Finding

No.

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.

Corrective Action Plan and Views of Responsible Officials

A physical count of Transportation's inventory will be done twice a year. The second count of the year shall take place in the month of June. Adjustments shall be made to the inventory balances after each physical count.

The following finding represents a significant deficiency 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

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.

Corrective Action Plan and Views of Responsible Officials

The District will continue to implement the following procedures, which were initially put in place in December of 2021, after the meal counting error was identified in October of 2021:

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

Implementation Date: Fiscal Year 2021-2022

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

2021-001 30000 – Internal Control

Criteria or Specific Requirements

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

Condition

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

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

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

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.

Current Status

Implemented.

Federal Awards Findings

2021-002 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 over a two-month period. The District reported 91,324 meals served under the National School Lunch Category. However, supporting documentation indicated that 93,633 meals were served, resulting in an understatement of 2,309 meals.

Questioned Costs

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

As indicated in Finding 2022-004, we identified a repeated instance of misreported nutrition claims information for the month of October 2021. However, this repeated error occurred 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 the District has adequately implemented the recommended control procedures as of June 30, 2022.

2021-003 50000 – Federal Compliance

Federal Program Affected

Title: COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund
CFDA: 84.425D
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Title: COVID-19 Governor's Emergency Education Relief (GEER) Fund
CFDA: 84.425C
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There were no questioned costs identified.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.