

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series F Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series F Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Series F Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

\$38,340,823.50

**COLTON JOINT UNIFIED SCHOOL DISTRICT
 (SAN BERNARDINO AND RIVERSIDE COUNTIES, CALIFORNIA)
 ELECTION OF 2008 GENERAL OBLIGATION BONDS, SERIES F**

Dated: Date of Delivery

Due: August 1, as shown herein

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Colton Joint Unified School District (San Bernardino and Riverside Counties, California) Election of 2008 General Obligation Bonds, Series F (the “Series F Bonds”) are being issued by the Colton Joint Unified School District (the “District”), located in San Bernardino County Bernardino (“San Bernardino County”) and Riverside County (“Riverside County”) and, together with San Bernardino County, the “Counties”). Proceeds of the Series F Bonds will be applied to (i) finance specific school facility construction, repair and improvement projects approved by the voters of the District, and (ii) pay costs of issuance of the Series F Bonds, as further described herein. The Series F Bonds represent the sixth series of bonds that were authorized at an election of the voters of the District held on November 4, 2008, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of \$225,000,000 aggregate principal amount of bonds of the District. The Series F Bonds are being issued under the laws of the State of California (the “State”) and pursuant to a resolution of the Board of Education of the District adopted on January 18, 2024.

The Series F Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of San Bernardino County and the Board of Supervisors of Riverside County are empowered and obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District that is located within such county, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal or accreted value of and interest on the Series F Bonds, all as more fully described herein. The Series F Bonds are not a debt or obligation of the Counties. No fund of the Counties is pledged or obligated to repayment of the Series F Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES F BONDS” herein.

The Series F Bonds will be issued as current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”), all as set forth on the inside front cover page hereof. Interest on the Current Interest Bonds accrues from the date of delivery thereof. Interest on the Series F Bonds issued as Current Interest Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2024. The Capital Appreciation Bonds will not pay interest on a current or periodic basis; instead, the Capital Appreciation Bonds will accrete interest from the date of delivery to their stated maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover pages hereof. Interest on the Capital Appreciation Bonds will be compounded semiannually on each February 1 and August 1 to maturity, commencing August 1, 2024.

The Current Interest Bonds will be issued in denominations of \$5,000 principal amount or any integral multiple thereof as shown on the inside front cover hereof, and the Capital Appreciation Bonds will be issued in denominations of \$5,000 maturity value or any integral multiple thereof, as shown on the inside front cover hereof.

The Series F Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series F Bonds. Individual purchases of the Series F Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series F Bonds purchased by them. See “THE SERIES F BONDS – Form and Registration” herein. Payments of the principal or accreted value of and interest on the Series F Bonds will be made by U.S. Bank Trust Company, National Association, as paying agent, transfer agent, authentication agent and bond registrar with respect to the Series F Bonds, to DTC for subsequent disbursement to DTC participants, who will remit such payments to the beneficial owners of the Series F Bonds. See “THE SERIES F BONDS – Payment of Principal and Interest” herein.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Series F Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series F Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Series F Bonds are subject to redemption prior to maturity as described herein.* See “THE SERIES F BONDS – Redemption” herein.

The Series F Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Kutak Rock LLP, Irvine, California, as counsel to the Underwriter. It is anticipated that the Series F Bonds, in definitive form, will be available for delivery through the facilities of DTC, on or about February 27, 2024.

STIFEL

MATURITY SCHEDULE
BASE CUSIP[†]: 197036

\$38,340,823.50
COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2008 General Obligation Bonds, Series F

\$19,000,000 Current Interest Bonds

\$19,000,000 Serial Current Interest Bonds

Maturity (August 1.)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number [†]
2049	\$19,000,000	5.000%	3.640 ^C	111.243%	QS8

\$19,340,823.50 Capital Appreciation Bonds

\$19,340,823.50 Serial Capital Appreciation Bonds

Maturity (August 1.)	Initial Principal (Denominational) Amount	Accretion Rate	Maturity Value	Reoffering Yield	CUSIP Number [†]
2031	\$121,016.25	3.360%	\$155,000	3.360%	PY6
2032	187,852.50	3.420	250,000	3.420	PZ3
2033	220,310.65	3.480	305,000	3.480	QA7
2034	277,424.00	3.540	400,000	3.540	QB5
2035	294,331.90	3.650	445,000	3.650	QC3
2036	254,295.45	3.780	405,000	3.780	QD1
2037	275,010.30	3.950	465,000	3.950	QE9
2038	299,150.60	4.070	535,000	4.070	QF6
2039	319,573.10	4.180	605,000	4.180	QG4
2040	339,129.60	4.280	680,000	4.280	QH2
2041	357,250.90	4.340	755,000	4.340	QJ8
2042	374,422.35	4.400	835,000	4.400	QK5
2043	425,250.00	4.450	1,000,000	4.450	QL3
2044	433,117.50	4.500	1,075,000	4.500	QM1
2045	474,768.30	4.550	1,245,000	4.550	QN9
2046	1,702,246.00	4.580	4,700,000	4.580	QP4
2047	6,501,847.20	4.600	18,870,000	4.600	QQ2
2048	6,483,826.90	4.650	19,930,000	4.650	QR0

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS database. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

^C Yield to call at par on February 1, 2034.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)

BOARD OF EDUCATION

Frank A. Ibarra, *President*
Dan Flores, *Vice President*
Israel Fuentes, *Clerk*
Bertha Flores, *Member*
Patt Haro, *Member*
Berenice Sandoval, *Member*
Joanne E. Thoring-Ojeda, *Member*

DISTRICT ADMINISTRATORS

Frank Miranda, Ed.D., *Superintendent*
Gregory Fromm, *Assistant Superintendent of Business Services*

PROFESSIONAL SERVICES

Municipal Advisor

Columbia Capital Management, LLC
Carlsbad, California

Bond Counsel

Stradling Yocca Carlson & Rauth LLP
San Francisco, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Transfer Agent, Authentication Agent and Bond Registrar

U.S. Bank Trust Company, National Association
Los Angeles, California

This Official Statement does not constitute an offering of any security other than the original offering of the Series F Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series F Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series F Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed by the District to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series F Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Series F Bonds or the advisability of investing in the Series F Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and in APPENDIX H – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website and certain social media accounts. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series F Bonds.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Series F Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series F Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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\$38,340,823.50
COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2008 General Obligation Bonds, Series F

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside front cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series F Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, is provided to furnish information in connection with the sale of \$38,340,823.50 aggregate initial principal amount of the Colton Joint Unified School District (San Bernardino and Riverside Counties, California) Election of 2008 General Obligation Bonds, Series F (the "Series F Bonds"), consisting of current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), all as indicated on the inside front cover page hereof, to be offered by the Colton Joint Unified School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure" and APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The Series F Bonds are general obligation bonds of the District secured by and payable from *ad valorem* property taxes to be levied upon all property subject to taxation by the District without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). The Series F Bonds are not a debt or obligation of San Bernardino County ("San Bernardino County") or Riverside County ("Riverside County" and together with San Bernardino County, the "Counties" and each a "County") or of the general fund of the District. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES F BONDS."

The purpose of this Official Statement is to supply information to prospective buyers of the Series F Bonds. Quotations from and summaries and explanations of the Series F Bonds, the Resolution (as defined herein) of the Board of Education of the District providing for the issuance of the Series F Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series F Bonds.

Copies of documents referred to herein and information concerning the Series F Bonds are available from the District by contacting: Colton Joint Unified School District, 1212 Valencia Drive, Colton, California 92324, Attention: Assistant Superintendent of Business Services. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District has operated as a joint unified school district since July 1966 and is comprised of an area of approximately 46.8 square miles in San Bernardino County and Riverside County. The District operates 18 elementary schools, four middle schools, three comprehensive high schools, one continuation school, one adult school, one alternative high school and a child development center. Enrollment was approximately 19,296 students for fiscal year 2022-23 and is projected to be approximately 18,930 students in fiscal year 2023-24. Taxable property located in the District has a fiscal year 2023-24 assessed value of \$15,776,131,338.

For additional information about the District, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET” and APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023.”

For specific information on the impact of the Coronavirus Disease 2019 (“COVID-19”) pandemic (i) on the security and source of payment for the Series F Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES F BONDS – Assessed Valuation of Property Within the District” and “– Tax Charges and Delinquencies,” and (ii) on the District’s operations and finances, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – – *Infectious Disease Outbreak.*”

THE SERIES F BONDS

Authority for Issuance; Purpose

Authority for Issuance. The Series F Bonds are issued by the District under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and pursuant to a resolution of the Board of Education of the District, adopted on January 18, 2024 (the “Resolution”).

Purpose. At an election held on November 4, 2008, the District received authorization under a ballot measure to issue bonds of the District in an aggregate principal amount not to exceed \$225 million to finance specific school facility construction, repair and improvement projects (the “2008 Authorization”), including, but not limited to: build middle and high schools, improve libraries, science and computer labs, repair restrooms, increase security, after-school program and joint-use space, drop-off zone safety, and acquire, construct, repair equipment, sites and facilities. The measure required approval by at least 55% of the votes cast by eligible voters within the District. The Series F Bonds represent the sixth series of authorized bonds to be issued under the 2008 Authorization. Proceeds of the Series F Bonds will be applied to (i) finance specific school facility construction, repair and improvement projects approved by the voters of the District, and (ii) pay costs of issuance of the Series F Bonds. See “– Application and Investment of Series F Bond Proceeds” herein. Following the issuance of the Series F Bonds, the District has \$44,179,333 aggregate principal amount of bonds authorized but unissued under the 2008 Authorization.

Form and Registration

The Series F Bonds will be issued in fully registered book-entry bonds and, when delivered, will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to purchasers of the Series F Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC participants as described herein. Beneficial Owners will not receive physical delivery of certificates from the District representing their interests in the Series F Bonds being purchased. Payments of the principal or accreted value of and interest on the Series F Bonds will be made by U.S. Bank Trust Company, National Association, as paying agent, transfer agent, authentication agent and bond registrar with respect to the Series F Bonds (the “Paying Agent”), to DTC, and such payments will be remitted by DTC to the participants in DTC for subsequent disbursement to the Beneficial Owners of the Series F Bonds. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Bond Insurance Policy

Concurrently with the issuance of the Series F Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Series F Bonds. The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Series F Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement. See APPENDIX H – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.” See also “BOND INSURANCE.” For additional considerations regarding BAM and the Policy, see “MISCELLANEOUS –Ratings.”

Payment of Principal and Interest

The Series F Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds, as set forth on the inside front cover page hereof. The Series F Bonds shall be dated the date of initial issuance and delivery (the “Date of Delivery”).

Interest; Current Interest Bonds. Interest on the Current Interest Bonds accrues from the Date of Delivery thereof. Interest on the Series F Bonds issued as Current Interest Bonds is payable semiannually on February 1 and August 1 (each, a “Bond Payment Date”) of each year, commencing August 1, 2024. The Current Interest Bonds shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before the close of business on the 15th day of the month preceding the first Bond Payment Date, in which event it shall bear interest from its Date of Delivery. Interest shall be payable on the respective Bond Payment Dates and shall be calculated on the basis of a 360-day year of 12, 30-day months.

Interest; Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated as of their Date of Delivery. The Capital Appreciation Bonds will not pay interest on a current or periodic basis; instead, each Capital Appreciation Bond will accrete interest from its Date of Delivery, compounded on each February 1 and August 1, commencing August 1, 2024, to its stated maturity value (the “Maturity Value”) at its maturity date (each such maturity date, with respect to the Capital Appreciation Bonds, a “Bond Payment Date”) assuming that in any such semiannual period the sum of such compounded accreted interest and the initial principal amount increases in equal daily amounts on the basis of a 360-day year consisting of 12, 30-day months.

Accreted Values. The rate of interest at which a Capital Appreciation Bond's Maturity Value is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover page hereof. For any Capital Appreciation Bond, the value of the initial principal amount plus compounded accreted interest (such value, the "accreted value") on any given February 1 or August 1 date prior to maturity may be calculated by discounting the Maturity Value of the Capital Appreciation Bond from its maturity date to that February 1 or August 1 date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising 12, 30-day months. The Maturity Value of a Capital Appreciation Bond is equal to the accreted value thereof at its maturity date.

The Underwriter has prepared the Tables of Accreted Values shown in Appendix G hereto with respect to the Capital Appreciation Bonds, in order to provide the value per \$5,000 of Maturity Value for each Capital Appreciation Bond on each February 1 or August 1 prior to maturity.

Payment of Series F Bonds. Payment of interest on any Current Interest Bond shall be made on any Bond Payment Date to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Current Interest Bonds, and the accreted value and redemption premiums, if any, on the Capital Appreciation Bonds shall be payable upon maturity or redemption upon surrender at the designated office of the Paying Agent. The Principal and accreted value of, and premiums, if any, and interest on, the Series F Bonds shall be payable in lawful money of the United States of America. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series F Bonds issued as Current Interest Bonds maturing on August 1, 2049, are subject to redemption prior to their stated maturity date, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after February 1, 2034, at a redemption price equal to the principal amount of such Series F Bonds issued as Current Interest Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

The Series F Bonds issued as Capital Appreciation Bonds maturing on or before August 1, 2033, are not subject to redemption prior to their stated maturity dates. The Series F Bonds issued as Capital Appreciation Bonds maturing on and after August 1, 2034, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after February 1, 2034, at a redemption price equal to 100% of the accreted value of the Series F Bonds issued as Capital Appreciation Bonds to be redeemed as of the date set for such redemption, without premium.

Selection of Series F Bonds for Redemption. Whenever provision is made for the optional redemption of Series F Bonds and less than all outstanding Series F Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Series F Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Series F Bonds for redemption as directed by the District, and, if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent determines; provided, however, that, with respect to redemption by lot, (A) the portion of any Current Interest Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof, (B) the portion of any Capital Appreciation Bond to be redeemed in part shall be in integral multiples of the accreted value per \$5,000 Maturity Value thereof.

Notice of Redemption. The Paying Agent, upon written instruction from the District, shall give notice (a “Redemption Notice”) of the redemption of any Series F Bonds. Such Redemption Notice will specify: the Series F Bonds or designated portions thereof (in the case of redemption of the Series F Bonds in part but not in whole) which are to be redeemed, the date of redemption, the place or places where the redemption will be made, including the name and address of the Paying Agent, the redemption price, the CUSIP numbers (if any) assigned to the Series F Bonds to be redeemed, the Series F Bond numbers of the Series F Bonds to be redeemed in whole or in part and, in the case of any Series F Bond to be redeemed in part only, the principal amount or accreted value, as applicable, to be redeemed, and the original issue date, interest rate or Accretion Rate and stated maturity date of each Series F Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Series F Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued or accreted to the redemption date, and that from and after such date, interest thereon shall cease to accrue or accrete.

The Paying Agent shall take the following actions with respect to each such Redemption Notice:

- (a) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Series F Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the registration books which the Paying Agent shall keep or cause to be kept on which the registered ownership, transfer and exchange of Series F Bonds shall be recorded (the “Bond Register”).
- (b) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to DTC.
- (c) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or, in the absence of such a written designation, as the Paying Agent may select.
- (d) Provide such Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution shall be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Series F Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Series F Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Series F Bonds being redeemed with the proceeds of such check or other transfer. Such Redemption Notice may state that no representation is made as to the accuracy or correctness of CUSIP numbers printed thereon, or on the Series F Bonds.

With respect to any notice of optional redemption of Series F Bonds (or portions thereof), unless upon the giving of such notice of Series F Bonds or portions thereof shall be deemed to have been defeased as set forth in the Resolution, such notice shall state that such redemption shall be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal and accreted value of, premium, if

any, and interest on, such Series F Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect, no portion of the Series F Bonds shall be subject to redemption on such date and such Series F Bonds shall not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption shall not be made and the Paying Agent shall within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District shall have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for redemption. The Paying Agent shall distribute a notice of rescission of such Redemption Notice in the same manner as such Redemption Notice was originally provided.

Partial Redemption of Series F Bonds. Upon the surrender of any Series F Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Series F Bond or Series F Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amount (as defined below) to the unredeemed portion of the Series F Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. Notice having been given as provided in the Resolution, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as provided in the Resolution, the Series F Bonds to be redeemed shall become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Series F Bonds to be redeemed, together with interest accrued to such redemption date, is held in trust so as to be available therefor on such redemption date, and if a Redemption Notice thereof has been given as provided in the Resolution, then from and after such redemption date, interest with respect to the Series F Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Series F Bonds will be held in trust for the account of the Owners of the Series F Bonds so to be redeemed.

When any Series F Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of the Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Series F Bonds or portions thereof, and accrued interest (if applicable) with respect thereto to the date fixed for redemption, then such Series F Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

All Series F Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Series F Bond purchased by the District will be cancelled by the Paying Agent.

Transfer and Exchange of Bonds

Any Series F Bond may be exchanged for Series F Bonds of like series, tenor, maturity and Transfer Amount (defined herein) upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered owner of such Series F Bond (the "Owner") or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Series F Bond may be transferred on the Bond Register only upon presentation and surrender of the Series F Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new bond or bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the

Series F Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Current Interest Bonds and Capital Appreciation Bonds may not be exchanged for one another. The term “Transfer Amount” means (i) with respect to any outstanding Current Interest Bond, the principal amount thereof, and (ii) with respect to any outstanding Capital Appreciation Bond, the Maturity Value thereof.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Series F Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Series F Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date or any day on which the applicable Redemption Notice is given, or (b) to transfer any Series F Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Series F Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with any amounts transferred from the Debt Service Fund (defined herein), if any, is sufficient to pay all such Series F Bonds outstanding and designated for defeasance (including all principal thereof, accrued or accreted interest thereon and redemption premiums, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations (defined herein) together with cash, if required, and amounts transferred from the Debt Service Fund, if any, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all such Series F Bonds outstanding and designated for defeasance (including all principal thereof, accrued or accreted interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Series F Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Series F Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to the provisions summarized in paragraphs (a) or (b), above, to the Owners of such designated Series F Bonds not so surrendered and paid all sums due with respect thereto. For purposes of these defeasance provisions, “Government Obligations” means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Moody’s or S&P.

Application and Investment of Series F Bond Proceeds

The proceeds of the Series F Bonds are expected to be applied as follows:

**COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2008 General Obligation Bonds, Series F**

Estimated Sources and Uses of Funds

Sources of Funds:

Aggregate Principal Amount of Series F Bonds	\$38,340,823.50
Plus Original Issue Premium	2,136,170.00
Total Sources of Funds	<u>\$40,476,993.50</u>

Uses of Funds:

Deposit to Building Fund	\$37,995,393.27
Deposit to Debt Service Fund	2,136,170.00
Underwriter's Discount	105,437.26
Costs of Issuance ⁽¹⁾	239,992.97
Total Uses of Funds	<u>\$40,476,993.50</u>

⁽¹⁾ Includes bond counsel, disclosure counsel, municipal advisor and other consultant fees, bond insurance premium, rating agency fees, initial paying agent fees, printing fees and other miscellaneous fees and expenses.

Under State law, all money received by or apportioned to a school district must generally be paid into and held in the county treasury. As provided in the Resolution, the proceeds from the sale of the Series F Bonds received by the District, except for certain amounts permitted to be held and disbursed by a costs of issuance administrator and exclusive of any premium and accrued interest received by the District, will be deposited in the San Bernardino County treasury to the credit of the building fund of the District established for the Series F Bonds (the "Building Fund") and will be accounted for separately from all other District and San Bernardino County funds. Such proceeds will be applied solely for the purposes for which the Series F Bonds were authorized. Any premium or accrued interest on the Series F Bonds received by the District will be deposited in the debt service fund (the "Debt Service Fund") established in the San Bernardino County treasury and used for payment of principal and accreted value of and interest on the Series F Bonds, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Series F Bonds. Interest and earnings on each fund will accrue to that fund. The County shall have no responsibility for assuring the proper use of the Series F Bond proceeds by the District.

All funds held by the San Bernardino County Treasurer-Tax Collector (the "San Bernardino County Treasurer") in the Building Fund and the Debt Service Fund are expected to be invested at the sole discretion of the San Bernardino County Treasurer on behalf of the District in such investments as are authorized by Section 53601 *et seq.* of the California Government Code and the investment policy of San Bernardino County, as either may be amended or supplemented from time to time. See APPENDIX E – "SAN BERNARDINO COUNTY TREASURER'S INVESTMENT POLICY AND INVESTMENT POOL SUMMARY" for a description of the permitted investments under the investment policy of San Bernardino County. In addition, to the extent permitted by law and the investment policy of San Bernardino County, the Resolution provides that all or any portion of the funds held in the Building Fund and the Debt Service Fund may be invested in "Permitted Investments," which includes (i) any lawful investments permitted by Government Code Section 16429.1 and Section 53601, (ii) shares in a California common law trust

established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Government Code Section 53635, but without regard to any limitations in such Government Code Section 53635, concerning the percentage of moneys available for investment being invested in a particular type of security, (iii) a guaranteed investment contract with a provider having a rating meeting the minimum rating requirements of the San Bernardino County investment pool maintained by the San Bernardino County Treasurer, (iv) the Local Agency Investments Fund of the California State Treasurer, (v) the San Bernardino County investment pool described above, and (vi) United States Securities - State and Local Government Series. San Bernardino County does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Annual debt service on the Series F Bonds, assuming no early optional redemptions, is set forth in the following table.

**COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2008 General Obligation Bonds, Series F**

Period Ending August 1,	Current Interest Bonds		Capital Appreciation Bonds		Total Debt Service
	Principal	Interest	Principal	Interest Paid at Maturity	
2024	-	\$406,388.89	-	-	\$406,388.89
2025	-	950,000.00	-	-	950,000.00
2026	-	950,000.00	-	-	950,000.00
2027	-	950,000.00	-	-	950,000.00
2028	-	950,000.00	-	-	950,000.00
2029	-	950,000.00	-	-	950,000.00
2030	-	950,000.00	-	-	950,000.00
2031	-	950,000.00	\$121,016.25	\$33,983.75	1,105,000.00
2032	-	950,000.00	187,852.50	62,147.50	1,200,000.00
2033	-	950,000.00	220,310.65	84,689.35	1,255,000.00
2034	-	950,000.00	277,424.00	122,576.00	1,350,000.00
2035	-	950,000.00	294,331.90	150,668.10	1,395,000.00
2036	-	950,000.00	254,295.45	150,704.55	1,355,000.00
2037	-	950,000.00	275,010.30	189,989.70	1,415,000.00
2038	-	950,000.00	299,150.60	235,849.40	1,485,000.00
2039	-	950,000.00	319,573.10	285,426.90	1,555,000.00
2040	-	950,000.00	339,129.60	340,870.40	1,630,000.00
2041	-	950,000.00	357,250.90	397,749.10	1,705,000.00
2042	-	950,000.00	374,422.35	460,577.65	1,785,000.00
2043	-	950,000.00	425,250.00	574,750.00	1,950,000.00
2044	-	950,000.00	433,117.50	641,882.50	2,025,000.00
2045	-	950,000.00	474,768.30	770,231.70	2,195,000.00
2046	-	950,000.00	1,702,246.00	2,997,754.00	5,650,000.00
2047	-	950,000.00	6,501,847.20	12,368,152.80	19,820,000.00
2048	-	950,000.00	6,483,826.90	13,446,173.10	20,880,000.00
2049	\$19,000,000.00	950,000.00	19,000,000.00	-	19,950,000.00
Total:	<u>\$19,000,000.00</u>	<u>\$24,156,388.89</u>	<u>\$38,340,823.50</u>	<u>\$33,314,176.50</u>	<u>\$95,811,388.89</u>

Source: Stifel, Nicolaus & Company, Incorporated

Outstanding Bonds

In addition to the Series F Bonds, the District has nine series of general obligation bonds outstanding, each of which is secured by *ad valorem* property taxes levied upon all property subject to taxation by the District.

2001 Authorization. On September 25, 2001, more than two-thirds of the registered voters of the District voting on the proposition approved the issuance of \$102,000,000 principal amount of bonds pursuant to the 2001 Authorization. On April 10, 2002, San Bernardino County, on behalf of the District, issued the District's Election of 2001 General Obligation Bonds, Series A (the "2001A Bonds") in an aggregate principal amount of \$28,700,000. The 2001A Bonds were issued as the first series of bonds authorized to be issued under the 2001 Authorization and are no longer outstanding. On July 14, 2004, the District issued \$23,177,726 aggregate initial principal amount of its Election of 2001 General Obligation Bonds, Series B (the "2001B Bonds") as the District's second series authorized to be issued under the 2001 Authorization. On January 11, 2006, the District issued its Election of 2001 General Obligation Bonds, Series C (the "2001C Bonds"), in the initial aggregate principal amount of \$50,122,151.25, as its third and final series of bonds authorized to be issued under the 2001 Authorization.

2008 Authorization. On November 4, 2008, more than 55% of the registered voters of the District voting on the proposition approved the 2008 Authorization, approving the issuance of \$225,000,000 principal amount of bonds. On October 27, 2009, the District issued its Election of 2008 General Obligation Bonds, Series A (the "2008A Bonds") in the initial aggregate principal amount of \$48,999,050.25 as the District's first series authorized to be issued under the 2008 Authorization. On September 14, 2010, the District issued its Election of 2008 General Obligation Bonds, Series B (the "2008B Bonds") in the initial aggregate principal amount of \$41,938,348.45 as the District's second series of bonds authorized to be issued under the 2008 Authorization. On July 7, 2011, the District issued its Election of 2008 General Obligation Bonds, Series C (Qualified School Construction Bonds – Direct Payment to District) (Federally Taxable) (the "2008C Bonds") in the aggregate principal amount of \$11,900,000 as the District's third series of bonds authorized to be issued under the 2008 Authorization.

The 2008C Bonds were issued as "qualified school construction bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), and the District expects to receive a cash subsidy payment from the United States Treasury (the "Treasury") equal to a portion of the interest due on each interest payment date on such 2008C Bonds. However, the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, included provisions that reduced the subsidy to be paid and Congress now has the sequestration reduction rate set at 5.7% through 2030, although such rate could be changed. The District cannot predict whether or not subsequent sequestration actions may affect subsidy payments currently scheduled for receipt in future federal fiscal years. The Board of Supervisors of San Bernardino County and the Board of Supervisors of Riverside County are empowered and obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District for the payment of principal of and interest on the 2008C Bonds whether or not any portion of such subsidy payments are received. As a result, the levy of *ad valorem* property taxes will only take into account amounts actually received from the Treasury. The District makes no assurances about the effect of future legislative or policy changes or tax liabilities of the District on the amount or receipt of the subsidy payments from the Treasury.

On August 2, 2016, the District issued its Election of 2008 General Obligation Bonds, Series D (the "2008D Bonds") in the aggregate principal amount of \$24,645,000 as the District's fourth series of bonds authorized to be issued under the 2008 Authorization. On October 28, 2020, the District issued its Election of 2008 General Obligation Bonds, Series E (the "2008E Bonds") in the aggregate initial principal amount of \$14,997,444.00 as the District's fifth series of bonds authorized to be issued under the 2008

Authorization. Following the issuance of the Series F Bonds, \$44,179,333 remains authorized but unissued under the 2008 Authorization.

Refunding Bonds. On June 14, 2012, the District issued its 2012 General Obligation Refunding Bonds (the “2012 Refunding Bonds”) in the aggregate principal amount of \$22,190,000 to refund a portion of the outstanding 2001A Bonds, and there are no longer any 2001A Bonds outstanding. On May 15, 2013, the District issued its 2013 General Obligation Refunding Bonds (the “2013 Refunding Bonds”) in the aggregate principal amount of \$38,625,000 to refund a portion of the outstanding 2001B Bonds and a portion of the outstanding 2001C Bonds.

On February 26, 2016, the District issued its 2016 General Obligation Refunding Bonds in the aggregate principal amount of \$19,010,000 (the “2016 Refunding Bonds”) to refund and defease the 2001C Bonds maturing on February 1, 2027 through February 1, 2036, inclusive.

On August 2, 2016, the District issued its 2016 General Obligation Refunding Bonds, Series B in the aggregate principal amount of \$51,540,000 (the “2016B Refunding Bonds”) to refund a portion of the 2008A Bonds and a portion of the 2008B Bonds. There are no longer any 2008A Bonds outstanding.

On October 28, 2020, the District issued its 2020 General Obligation Refunding Bonds (Federally Taxable) in the aggregate principal amount of \$44,550,000 (the “2020 Refunding Bonds”) to (a) refund, on an advance basis, a portion of the outstanding 2008B Bonds, (b) refund, on an advance basis, a portion of the outstanding 2012 Refunding Bonds, and (c) refund, on an advance basis, a portion of the 2013 Refunding Bonds. There are no longer any 2012 Refunding Bonds or 2013 Refunding Bonds outstanding.

Possible 2024 Authorization. At this time, the District is considering placing a new bond measure on the November 5, 2024 general election ballot.

Aggregate Debt Service

The table on the following page sets forth the annual aggregate debt service requirements of all outstanding general obligation bonds of the District, including the Series F Bonds, assuming no early optional redemptions.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
General Obligation Bonds – Aggregate Debt Service

Period Ending August 1 ⁽¹⁾	2001B Bonds	2001C Bonds	2008B Bonds	2008C Bonds ⁽²⁾	2016 Refunding Bonds	2008D Bonds	2016B Refunding Bonds	2008E Bonds	2020 Refunding Bonds	Series F Bonds	Total Annual Debt Service
2024	-	-	\$475,000	\$285,380	\$785,600	\$1,200,825	\$4,027,350	\$468,000	\$6,612,062	\$406,389	\$14,260,606
2025	-	-	735,000	285,380	785,600	1,212,775	4,109,350	468,000	6,629,980	950,000	15,176,085
2026	-	-	1,025,000	5,035,380	785,600	1,253,275	4,176,600	558,000	6,637,123	950,000	20,420,978
2027	\$1,565,000	-	1,325,000	-	1,145,600	2,072,675	4,264,350	583,000	6,907,312	950,000	18,812,937
2028	5,375,000	-	1,655,000	-	1,572,600	2,083,475	4,334,750	608,000	724,720	950,000	17,303,545
2029	2,600,000	-	2,005,000	-	1,422,350	2,076,675	4,417,750	638,000	723,573	950,000	14,833,348
2030	-	-	2,380,000	-	1,862,600	2,076,400	4,495,000	666,200	727,102	950,000	13,157,302
2031	-	-	2,780,000	-	3,014,100	2,060,400	4,585,200	528,000	725,097	1,105,000	14,797,797
2032	-	-	3,210,000	-	3,015,100	2,042,600	4,666,200	550,000	722,376	1,200,000	15,406,276
2033	-	-	3,670,000	-	3,010,100	2,008,000	4,758,000	580,000	724,196	1,255,000	16,005,296
2034	-	-	920,000	-	3,010,300	1,982,200	4,844,800	600,000	3,960,069	1,350,000	16,667,369
2035	-	-	-	-	3,011,300	1,319,800	286,400	625,000	10,672,513	1,395,000	17,310,013
2036	-	-	11,387,710	-	3,011,250	1,247,100	289,000	605,000	-	1,355,000	17,895,060
2037	-	\$6,795,000	12,090,000	-	-	1,175,600	286,450	635,000	-	1,415,000	22,397,050
2038	-	6,795,000	12,835,214	-	-	1,085,300	288,900	665,000	-	1,485,000	23,154,414
2039	-	-	13,625,611	-	-	986,800	286,200	700,000	-	1,555,000	17,153,611
2040	-	-	14,464,430	-	-	870,400	288,500	730,000	-	1,630,000	17,983,330
2041	-	-	15,354,892	-	-	741,700	285,650	765,000	-	1,705,000	18,852,242
2042	-	-	16,295,000	-	-	591,150	287,800	805,000	-	1,785,000	19,763,950
2043	-	-	17,293,572	-	-	429,500	284,800	840,000	-	1,950,000	20,797,872
2044	-	-	18,349,627	-	-	247,200	286,800	880,000	-	2,025,000	21,788,627
2045	-	-	19,470,000	-	-	-	288,650	965,000	-	2,195,000	22,918,650
2046	-	-	-	-	-	-	6,020,350	11,700,000	-	5,650,000	23,370,350
2047	-	-	-	-	-	-	-	-	-	19,820,000	19,820,000
2048	-	-	-	-	-	-	-	-	-	20,880,000	20,880,000
2049	-	-	-	-	-	-	-	-	-	19,950,000	19,950,000
Total ⁽³⁾	<u>\$9,540,001</u>	<u>\$13,590,000</u>	<u>\$171,346,056</u>	<u>\$5,606,140</u>	<u>\$26,432,100</u>	<u>\$28,763,850</u>	<u>\$57,858,850</u>	<u>\$26,162,200</u>	<u>\$45,766,121</u>	<u>\$95,811,389</u>	<u>\$480,876,706</u>

⁽¹⁾ The Series 2001C Bonds, final maturity of the Series 2001B Bonds and 2016 Refunding Bonds have principal maturing on February 1 of each year.

⁽²⁾ The District expects to receive a cash subsidy payment from the United States Treasury equal to a portion of the interest due on each interest payment date on the Series 2008C Bonds, which the District designated as “qualified school construction bonds.” Reflects gross debt service on the Series 2008C Bonds; amounts shown do not take into account the receipt of any subsidy payments.

⁽³⁾ Totals may not add due to rounding.

Source: Stifel, Nicolaus & Company, Incorporated.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES F BONDS

General

In order to provide sufficient funds for repayment of principal or accreted value and interest when due on the Series F Bonds, the Board of Supervisors of San Bernardino County and the Board of Supervisors of Riverside County (together, the “County Boards of Supervisors”) are empowered and are obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District that is located within such county, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of or accreted value and interest on the Series F Bonds. In the case of a school district, like the District, lying in two or more counties, the assessor of each of the counties in which the district lies must annually certify to the board of supervisors of each of the counties in which any portion of the school district is situated the assessed value of all taxable property in the county situated in the school district. Each board of supervisors must levy upon the property of the school district within its own county the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of the general obligation bonds that is to become due during the year when combined with the taxes raised by all other counties in which a portion of the district lies. Such taxes are in addition to but separate from other taxes levied upon the property within the district. When collected, the tax revenues will be deposited by both Counties in the debt service funds of the District, which are required to be maintained by San Bernardino County as the county whose superintendent of schools has jurisdiction over the District, and to be used solely for the payment of bonds of the District.

The Series F Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the Counties. No fund of the Counties is pledged or obligated to payment of the Series F Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Series F Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien. For information on outstanding bonds of the District, see “THE SERIES F BONDS – Outstanding Bonds” above.

Pledge of Tax Revenues

Pursuant to Sections 5450 and 5451 of the California Government Code and the Resolution, the District has pledged all revenues received from the levy and collection of *ad valorem* property taxes for the payment of the Series F Bonds and all amounts on deposit in the Debt Service Fund created pursuant to the Resolution to the payment of such Series F Bonds. Such pledge constitutes a lien on and security interest in such taxes and amounts in such Debt Service Fund. The Resolution provides that such pledge constitutes an agreement between the District and the Owners of the Series F Bonds to provide security for the payment of the Series F Bonds in addition to any statutory lien that may exist.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal or accreted value of and interest on the Series F Bonds as the same become due and payable, will be transferred by the San Bernardino County Treasurer to the Paying Agent which, in turn, will pay such moneys to DTC. DTC will thereupon make payments of principal, accreted value or and interest on the Series F Bonds to the DTC Participants who will thereupon make payments of such principal, accreted value and interest to the beneficial owners of such Series F Bonds. Any moneys remaining in the Debt Service Fund after the Series F Bonds and the interest thereon have been paid in full, or provision for such payment has been made, shall be transferred to the general fund to the District, pursuant to Education Code Section 15234.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year calculated by each county, the county auditor-controller (the superintendent of schools of which has jurisdiction over the district) computes the rate of tax necessary to pay such debt service in all counties wherein such district is located, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the respective county) to the respective county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. Both the county auditor-controller and the county treasurer-tax collector have accounting responsibilities related to the collecting of the property taxes. Once collected, the county auditor-controller apportions and distributes the taxes to the various taxing entities and related funds and accounts. The county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal of and interest on the school bonds when due, as *ex-officio* treasurer of the school district.

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2023-24 assessed value of \$15,776,131,338. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the California Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See “*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in each county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property’s value will no longer be divided among all taxing jurisdictions in the applicable county. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the applicable county. The District is unable to predict future transfers of State-assessed property in the District and the applicable county, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies within the applicable county, including the District.

Locally taxed property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

The following tables set forth the assessed valuation of the various classes of property in the District's boundaries (in San Bernardino County, in Riverside County and in the aggregate) from fiscal years 2014-15 through 2023-24, each as of the date the equalized assessment roll is established in August of each year.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Assessed Valuations
Fiscal Years 2014-15 through 2023-24

San Bernardino County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total
2014-15	\$ 7,470,773,000	\$68,479,734	\$691,213,869	\$ 8,230,466,603
2015-16	7,811,482,979	67,456,614	713,708,670	8,592,648,263
2016-17	8,164,337,432	66,698,271	699,427,485	8,930,463,188
2017-18	8,692,228,214	66,078,767	681,064,844	9,439,371,825
2018-19	9,350,336,132	65,843,786	702,628,684	10,118,808,602
2019-20	9,987,717,754	10,624,451	740,797,442	10,739,139,647
2020-21	10,623,306,737	11,199,394	783,354,325	11,417,860,456
2021-22	11,619,298,047	10,409,311	928,809,197	12,558,516,555
2022-23	13,030,965,296	9,708,028	1,056,487,347	14,097,160,671
2023-24	14,269,607,923	15,135,821	1,331,946,051	15,616,689,795

Riverside County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total
2014-15	\$106,516,008	-	\$220,987	\$106,736,995
2015-16	111,108,599	-	277,170	111,385,769
2016-17	114,786,941	-	220,607	115,007,548
2017-18	118,928,098	-	204,294	119,132,392
2018-19	124,767,467	-	223,906	124,991,373
2019-20	127,678,564	-	225,256	127,903,820
2020-21	134,602,963	-	222,005	134,824,968
2021-22	138,453,101	-	279,097	138,732,198
2022-23	148,536,637	-	214,610	148,751,247
2023-24	159,202,901	-	238,642	159,441,543

Total District

Fiscal Year	Local Secured	Utility	Unsecured	Total
2014-15	\$ 7,577,289,008	\$68,479,734	\$ 691,434,856	\$ 8,337,203,598
2015-16	7,922,591,578	67,456,614	713,985,840	8,704,034,032
2016-17	8,279,124,373	66,698,271	699,648,092	9,045,470,736
2017-18	8,811,156,312	66,078,767	681,269,138	9,558,504,217
2018-19	9,475,103,599	65,843,786	702,852,590	10,243,799,975
2019-20	10,115,396,318	10,624,451	741,022,698	10,867,043,467
2020-21	10,757,909,700	11,199,394	783,576,330	11,552,685,424
2021-22	11,757,751,148	10,409,311	929,088,294	12,697,248,753
2022-23	13,179,501,933	9,708,028	1,056,701,957	14,245,911,918
2023-24	14,428,810,824	15,135,821	1,332,184,693	15,776,131,338

Source: California Municipal Statistics, Inc.

Risk of Decline in Property Values. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District’s control, such as a general market decline in property values, including potential market declines caused by the effects of a reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, landslide, liquefaction, levee failure, fire, wildfire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also “–*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District’s control, including a depressed real estate market due to general economic conditions in the Counties, the region, and the State. A pandemic, like the COVID-19 pandemic, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of the property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – *Infectious Disease Outbreak*.” Events resulting in changing economic conditions may also alter the willingness or the ability of local taxpayers to pay *ad valorem* property taxes levied to repay the District’s Series F Bonds. The District cannot predict whether events that may result in changing economic conditions will occur or the extent that a change in economic conditions will impact assessed value of property in the District or the willingness or ability of local taxpayers to pay *ad valorem* property taxes.

Risk of Climate Change. The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” may, among other things, increase the frequency of extreme weather events. The direct risks posed by climate change currently include or are expected to include more extreme heat events, increased incidence of wildfire and drought, rising sea levels, changes in precipitation levels, including flooding, and more intense storms. As greenhouse gas emissions continue to accumulate, climate change may intensify and increase the frequency of such extreme weather events. One or more of such extreme weather events could negatively impact the assessed value of the property within the District. The District cannot predict the timing, extent, or severity of climate change and its impact on property values in the District.

Risk of Earthquake. The District is located in a seismically active region. The most notable earthquake faults in the region include the San Andreas and San Jacinto faults. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake.

Risk of Drought. Most recently, the State has experienced periods of extreme precipitation, after having experienced severe drought conditions that led to the Governor of California (the “Governor”) declaring a Statewide drought emergency in spring 2021. While storms have helped ease drought impacts, regions and communities across the State continue to experience water supply shortages, especially communities that rely on groundwater supplies that have been severely depleted in recent years. In March 2023, the Governor rolled back some drought emergency provisions that are no longer needed due to current water conditions, while maintaining other measures that support regions and communities still facing water supply challenges, and that continue building up long-term water resilience. The District cannot predict the extent to which drought conditions within the Counties or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which drought conditions may impact District facilities or the assessed value of taxable property within the District.

Risk of Wildfire. Property damage due to wildfire could result in significant damage to, destruction of, and significant decreases in the assessed value of taxable property within the boundaries of the District, as well as in damage to or destruction of District facilities and property. In recent years, portions of the State, including the Counties and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted the Counties and adjacent counties in recent years include the Fairview Fire, the Apple Fire, the Cranston Fire and the El Dorado Fire. Within the boundaries of the District, no facilities or property was damaged or destroyed by said wildfires or other recent wildfires. The District cannot predict the extent to which any future wildfires within the District, the Counties, or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact District facilities or the assessed value of taxable property within the District.

Prospective purchasers of the Series F Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the Counties are required to levy sufficient taxes to pay debt service on the Series F Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Series F Bonds in full. However, increases in tax rates may impact the ability or willingness of taxpayers to pay their property taxes. See “– Tax Charges and Delinquencies” and “– Teeter Plan” below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs. Any base year appeal must be made within four years of the change of ownership or new construction date.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner’s property by filing a written application with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner’s property in any one year must submit an application to the county assessment appeals board (the “Appeals Board”). Following a review of the application by the county assessor’s office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary

rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the San Bernardino County assessor's office and Riverside County assessor's office, such counties have in the past, pursuant to Article XIII A of the California Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by each respective county.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* property taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2023-24 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$394.4 million and its net bonding capacity is approximately \$221.1 million (taking into account current outstanding debt before the issuance of the Series F Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries by political jurisdiction. The District is located within the cities listed below and unincorporated portions of San Bernardino County and Riverside County for fiscal year 2023-24.

**COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Fiscal Year 2023-24 Assessed Valuation by Jurisdiction**

Jurisdiction	Assessed Valuation in District	Percent of District	Assessed Valuation of Jurisdiction	Percent of Jurisdiction in District
City of Colton	\$4,681,861,366	29.68%	\$5,386,427,743	86.92%
City of Fontana	2,476,867,152	15.70	30,172,808,247	8.21
City of Grand Terrace	1,444,968,764	9.16	1,444,968,764	100.00
City of Jurupa Valley	227,737	0.00	14,547,014,780	0.00
City of Loma Linda	105,113,388	0.67	3,015,939,600	3.49
City of Rialto	3,115,673,588	19.75	14,908,243,043	20.90
City of San Bernardino	1,098,081,459	6.96	20,977,412,126	5.23
Unincorporated Riverside County	159,213,806	1.01	64,788,582,615	0.25
Unincorporated San Bernardino County	2,694,124,078	17.08	47,496,561,664	5.67
Total District	\$15,776,131,338	100.00%		
Summary by County:				
Riverside County	\$159,441,543	1.01%	\$396,777,696,138	0.04%
San Bernardino County	15,616,689,795	98.99	318,549,024,029	4.90
Total District	\$15,776,131,338	100.00%		

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2023-24 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Fiscal Year 2023-24 Assessed Valuation and Parcels by Land Use**

Type of Property	2023-24 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Agricultural/Rural	\$26,192,382	0.18%	55	0.17%
Commercial	1,134,280,268	7.86	695	2.17
Professional/Office	396,791,511	2.75	281	0.88
Industrial	4,149,729,647	28.76	618	1.93
Recreational	44,045,732	0.31	25	0.08
Government/Social/Institutional	32,181,430	0.22	115	0.36
Miscellaneous	9,985,558	0.07	76	0.24
Subtotal Non-Residential	\$5,793,206,528	40.15%	1,865	5.84%
<u>Residential:</u>				
Single Family Residence	\$6,301,111,279	43.67%	22,584	70.66%
Condominium/Townhouse	365,651,627	2.53	1,662	5.20
Mobile Home	85,725,761	0.59	1,342	4.20
Mobile Home Park	66,433,679	0.46	27	0.08
2-4 Residential Units	257,772,539	1.79	893	2.79
5+ Residential Units/Apartments	658,603,302	4.56	130	0.41
Subtotal Residential	\$7,735,298,187	53.61%	26,638	83.34%
Vacant Parcels	\$900,306,109	6.24%	3,459	10.82%
TOTAL	\$14,428,810,824	100.00%	31,962	100.00%

⁽¹⁾ Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2023-24, including the average and median per parcel assessed value.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Fiscal Year 2023-24 Per Parcel Assessed Valuation of Single-Family Homes

	Number of Parcels	2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	22,584	\$6,301,111,279	\$279,008	\$252,444
Townhomes/Condominiums	1,662	365,651,327	220,007	202,668
Total	24,246	\$6,666,762,906	\$274,966	\$248,141

2023-24 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	928	3.827%	3.827%	\$32,527,570	0.488%	0.488%
\$50,000 - \$99,999	1,865	7.692	11.519	142,719,490	2.141	2.629
\$100,000 - \$149,999	2,669	11.008	22.527	338,223,654	5.073	7.702
\$150,000 - \$199,999	3,545	14.621	37.148	621,717,319	9.326	17.028
\$200,000 - \$249,999	3,222	13.289	50.437	723,328,876	10.850	27.877
\$250,000 - \$299,999	2,681	11.057	61.495	734,525,213	11.018	38.895
\$300,000 - \$349,999	2,533	10.447	71.942	822,681,014	12.340	51.235
\$350,000 - \$399,999	1,963	8.096	80.038	734,550,725	11.018	62.253
\$400,000 - \$449,999	1,721	7.098	87.136	730,250,238	10.954	73.207
\$450,000 - \$499,999	1,142	4.710	91.846	540,971,977	8.114	81.321
\$500,000 - \$549,999	732	3.019	94.865	383,075,706	5.746	87.067
\$550,000 - \$599,999	443	1.827	96.692	253,837,149	3.808	90.875
\$600,000 - \$649,999	290	1.196	97.888	180,669,758	2.710	93.585
\$650,000 - \$699,999	186	0.767	98.655	124,772,436	1.872	95.456
\$700,000 - \$749,999	88	0.363	99.018	63,649,216	0.955	96.411
\$750,000 - \$799,999	66	0.272	99.291	50,930,945	0.764	97.175
\$800,000 - \$849,999	29	0.120	99.410	23,746,915	0.356	97.531
\$850,000 - \$899,999	32	0.132	99.542	27,857,176	0.418	97.949
\$900,000 - \$949,999	22	0.091	99.633	20,362,473	0.305	98.255
\$950,000 - \$999,999	17	0.070	99.703	16,641,348	0.250	98.504
\$1,000,000 and greater	72	0.297	100.000	99,723,708	1.496	100.000
Total	24,246	100.000%		\$6,666,762,906	100.000%	

⁽¹⁾ Improved single family residential properties, townhomes and condominium units. Excludes parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Largest Secured Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of secured taxable property in the District on the fiscal year 2023-24 tax roll, and the secured assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

**COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Largest Fiscal Year 2023-24 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2023-24 Assessed Valuation	Percent of Total ⁽¹⁾
1.	B9 Kline Ranch Owner LLC	Industrial	\$240,540,480	1.67%
2.	El Rivino Industrial I LLC	Industrial	219,282,668	1.52
3.	Fedex Ground Package System Inc.	Industrial	136,586,189	0.95
4.	Hart Agua Mansa LLC	Industrial	130,050,000	0.90
5.	IDIL West Valley Logistics Center LLC	Industrial	126,408,190	0.88
6.	B9 MF Highlands GT Owner LLC	Apartments	124,789,889	0.86
7.	10825 Production Owner LLC	Industrial	109,900,717	0.76
8.	Agua Owner LLC	Industrial	109,395,000	0.76
9.	El Rivino Industrial II LLC	Industrial	107,083,487	0.74
10.	Bloomington Owner LLC	Industrial	105,643,444	0.73
11.	Third Avenue Investments LLC	Industrial	104,040,000	0.72
12.	DS Grand Terrace Owner LLC	Apartments	103,150,000	0.71
13.	Francisco Center LP	Industrial	97,870,281	0.68
14.	Lineage Master RE 3 LLC	Industrial	97,551,061	0.68
15.	Liberty Property LP	Industrial	97,371,431	0.67
16.	IDIL Willow LLC	Industrial	92,186,255	0.64
17.	MG District Apartments WTS LLC	Apartments	91,555,200	0.63
18.	LBA RV-Company XI LP	Industrial	88,434,000	0.61
19.	Alder Commerce Center ILP LLC	Industrial	85,068,000	0.59
20.	BLUSV I CA 2650 South Willow Avenue	Industrial	84,660,000	0.59
			<u>\$2,351,566,292</u>	<u>16.30%</u>

⁽¹⁾ 2023-24 local secured assessed valuation: \$14,428,810,824.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

Tax Rates

General. The California Constitution permits the levy of an *ad valorem* property tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series F Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series F Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, wildfire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal or accreted value of and interest on the Series F Bonds. Issuance of additional authorized bonds in the future could also cause the tax rate to increase.

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Typical Tax Rate Area. The following tables set forth *ad valorem* property tax rates for the last five fiscal years in four typical tax rate areas of the District (TRA 2-000, TRA 10-032, TRA 16-001 and TRA 64-027).

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Typical Total Tax Rates per \$100 of Assessed Valuation
Fiscal Years 2019-20 through 2023-24

TRA 2-000: Within the City of Colton⁽¹⁾

	2019-20	2020-21	2021-22	2022-23	2023-24
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Colton Joint Unified School District	0.1016	0.1031	0.1081	0.0656	0.0687
San Bernardino Community College District	0.0562	0.0651	0.0534	0.0450	0.0452
San Bernardino Valley Municipal Water District	0.1425	0.1425	0.1300	0.1300	0.1200
Total Tax Rate	1.3003%	1.3107%	1.2915%	1.2406%	1.2339%

TRA 10-032: Within the City of Fontana⁽²⁾

	2019-20	2020-21	2021-22	2022-23	2023-24
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Colton Joint Unified School District	0.1016	0.1031	0.1081	0.0656	0.0687
San Bernardino Community College District	0.0562	0.0651	0.0534	0.0450	0.0452
San Bernardino Valley Municipal Water District	0.1425	0.1425	0.1300	0.1300	0.1200
Total Tax Rate	1.3003%	1.3107%	1.2915%	1.2406%	1.2339%

TRA 16-001: Within the City of Grand Terrace⁽³⁾

	2019-20	2020-21	2021-22	2022-23	2023-24
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Colton Joint Unified School District	0.1016	0.1031	0.1081	0.0656	0.0687
San Bernardino Community College District	0.0562	0.0651	0.0534	0.0450	0.0452
San Bernardino Valley Municipal Water District	0.1425	0.1425	0.1300	0.1300	0.1200
Total Tax Rate	1.3003%	1.3107%	1.2915%	1.2406%	1.2339%

TRA 64-027: Within Unincorporated Area⁽⁴⁾

	2019-20	2020-21	2021-22	2022-23	2023-24
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Colton Joint Unified School District	0.1016	0.1031	0.0181	0.0656	0.0687
San Bernardino Community College District	0.0562	0.0651	0.0534	0.0450	0.0452
San Bernardino Valley Municipal Water District	0.1425	0.1425	0.1300	0.1300	0.1200
Total Tax Rate	1.3003%	1.3107%	1.2915%	1.2406%	1.2339%

⁽¹⁾ 2023-24 assessed valuation of TRA 2-000 is \$712,918,942, which is 4.52% of the District's total assessed valuation.

⁽²⁾ 2023-24 assessed valuation of TRA 10-032 is \$962,395,376, which is 6.10% of the District's total assessed valuation.

⁽³⁾ 2023-24 assessed valuation of TRA 16-001 is \$1,264,117,218, which is 8.01% of the District's total assessed valuation.

⁽⁴⁾ 2023-24 assessed valuation of TRA 64-027 is \$1,125,858,879, which is 7.14% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the California Education Code, bonds approved pursuant to the 2008 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2008 Authorization will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series F Bonds, the District projects that the maximum tax rate required to repay the Series F Bonds, and all other outstanding bonds approved under the 2008 Authorization, will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the Board of Supervisors of each County to levy taxes at such rate as may be necessary to pay debt service on the Series F Bonds and any other series of bonds issued under the 2008 Authorization in each year.

Tax Charges and Delinquencies

General. A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* property taxes for voter-approved indebtedness, including the Series F Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The respective county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the respective county treasurer-tax collector. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the respective county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The respective county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or a natural or manmade disaster, such as earthquake, drought, flood, fire, wildfire or toxic dumping. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak." However, San Bernardino County and Riverside County have adopted the Teeter Plan (defined herein), according to which the Counties distribute to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. For more information, see "– *Teeter Plan*" below. If delinquencies increase substantially as a result of events outside the control of the District, the

Counties have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

Secured Tax Charges and Delinquencies within the District. The real property tax charges and corresponding delinquencies for the District’s general obligation bond debt service levy, with respect to the property located in the District within Riverside County, for fiscal years 2018-19 through 2022-23, are set forth in the table below. San Bernardino County does not provide the secured tax charges and corresponding delinquencies for the general obligation bond debt service levy with respect to property located within the District. The Counties do not provide the real property tax charges and corresponding delinquencies for the 1% general fund apportionment with respect to property located within their applicable county. The portion of each County’s 1% general fund levy that is allocated to the District is not pledged to and does not secure the repayment of the Series F Bonds.

**COLTON JOINT UNIFIED DISTRICT
(San Bernardino and Riverside Counties, California)
Secured Tax Charges and Delinquencies**

Riverside County Portion only

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	Percent Delinquent June 30
2018-19	\$138,980.07	\$8,933.82	6.43%
2019-20	130,199.57	9,562.07	7.34
2020-21	134,944.25	9,635.17	7.14
2021-22	147,972.30	11,920.57	8.06
2022-23	97,805.82	7,674.31	7.85

⁽¹⁾ District’s general obligation bond debt service levy within Riverside County only.
Source: California Municipal Statistics, Inc.

Teeter Plan

The Board of Supervisors of San Bernardino County and the Board of Supervisors of Riverside County have adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the Counties, including school districts, receives the full amount of uncollected taxes levied on the secured tax roll credited to its fund, in the same manner as if the full amount due from taxpayers had been collected. In return, the Counties each receive and retain delinquent payments, penalties and interest as collected that would have been due the local agency. The Counties apply the Teeter Plan to taxes levied for repayment of school district general obligation bonds on the secured tax roll. There can be no assurances that the Counties will have sufficient funds available to distribute the full amount of the District’s share of property tax collections to the District. However, State law requires the Counties to levy *ad valorem* property taxes sufficient to pay the Series F Bonds when due.

The Teeter Plan is to remain in effect unless the board of supervisors of a county orders its discontinuance or unless, prior to the commencement of any fiscal year of a county (which commences on July 1), the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in such county. The board of supervisors of a county may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. The District

is not aware of any plans by the Board of Supervisors of San Bernardino County or the Board of Supervisors of Riverside County to discontinue the Teeter Plan. Nonetheless, the District cannot provide any assurances that the Counties will not discontinue the Teeter Plan with respect to the District and its bonds in future fiscal years.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective January 2, 2024, for debt outstanding as of January 1, 2024. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Statement of Direct and Overlapping Bonded Debt

January 2, 2024

2023-24 Assessed Valuation: \$15,776,131,338

		Debt 01/01/2024
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	
Metropolitan Water District	0.004%	\$ 769
San Bernardino Community College District	15.585	141,060,656
Colton Joint Unified School District	100.000	173,291,396 ⁽¹⁾
Colton Joint Unified School District Community Facilities District No. 2	100.000	2,975,000
Colton Joint Unified School District Community Facilities District No. 3	100.000	4,950,000
Agua Mansa Industrial Growth Association Community Facilities District No. 2002-1	49.366	3,070,565
City of Fontana Community Facilities Districts	100.000	21,405,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$346,753,386</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	4.902%	\$6,449,316
San Bernardino County Flood Control District General Fund Obligations	4.902	1,828,201
Riverside County General Fund Obligations	0.040	262,700
Riverside County Pension Obligation Bonds	0.040	299,416
Colton Joint Unified School District Lease Purchase Obligation	100.000	5,849,206
City of Colton Certificates of Participation	86.920	5,719,336
City of Colton Pension Obligation Bonds	86.920	11,920,556
City of Fontana Certificates of Participation	8.209	4,057,298
Other City General Fund Obligations	Various	14,949,265
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$51,335,294</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$77,903,235
COMBINED TOTAL DEBT		\$475,991,915 ⁽²⁾

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$173,291,396)	1.10%
Total Direct and Overlapping Tax and Assessment Debt	2.20%
Combined Direct Debt (\$179,140,602)	1.14%
Combined Total Debt	3.02%

Ratios to Redevelopment Incremental Valuation (\$6,796,470,085):

Total Overlapping Tax Increment Debt	1.15%
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⁽¹⁾ Excludes the Series F Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series F Bonds, BAM will issue its Policy for the Series F Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series F Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: **www.buildamerica.com**.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at **www.standardandpoors.com**. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series F Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series F Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series F Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series F Bonds, nor does it guarantee that the rating on the Series F Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.8 million, \$217.0 million and \$285.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series F Bonds or the advisability of investing in the Series F Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series F Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series F Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series F Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Series F Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series F Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Series F Bond over the issue price of a Series F Bond (the first price at which a substantial amount of the Series F Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series F Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series F Bond Owner will increase the Series F Bond Owner’s basis in the applicable Series F Bond.

Bond Counsel’s opinion as to the exclusion from gross income of interest (and original issue discount) on the Series F Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series F Bonds to assure that interest (and original issue discount) on the Series F Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series F Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series F Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Series F Bond Owner’s original basis for determining loss on sale or exchange in the applicable Series F Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Series F Bond premium reduces the Series F Bond Owner’s basis in the applicable Series F Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Series F Bond Owner realizing a taxable gain when a Series F Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series F Bond to the Owner. Purchasers of the Series F Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Series F Bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series F Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series F Bonds might be affected as a result of such an audit of the Series F Bonds (or by an audit of similar Series F Bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series F Bonds.

to the extent that it adversely affects the exclusion from gross income of interest on the Series F Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES F BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES F BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES F BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES F BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES F BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES F BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES F BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Series F Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Series F Bonds for federal income tax purposes with respect to any Series F Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered an opinion that interest on the Series F Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Series F Bonds and the accrual or receipt of interest with respect to the Series F Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series F Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series F Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Series F Bonds is attached hereto as APPENDIX C.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series F Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series F Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District, and for the Underwriter by Kutak Rock LLP, Irvine, California.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series F Bonds are legal investments for commercial banks in California to the extent that the Series F Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series F Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District will covenant under the Continuing Disclosure Certificate to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than eight months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for fiscal year 2023-24 (such initial Annual Report due no later than March 1, 2025) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made for the benefit of the holders and Beneficial Owners of the Series F Bonds in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”).

The District has contracted with Special District Financing & Administration (“SDFA”) to assist with the preparation of its annual reports and with certain dissemination services in connection with its prior undertakings, and the District plans to engage SDFA to assist with the preparation of its annual reports and with certain dissemination services for its undertakings related to the Series F Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series F Bonds or the District’s ability to receive *ad valorem* property taxes and to collect other revenues, or contesting the District’s ability to issue and retire the Series F Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series F Bonds or District officials who will sign certifications relating to the Series F Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series F Bonds.

The District is involved in various litigation and subject to various claims arising from the normal course of business. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Ratings

Moody’s Investors Service, Inc. has assigned its underlying rating of “Aa3” to the Series F Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency

furnishing the same, and any explanation of the significance of the rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series F Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series F Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series F Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

In addition, S&P is expected to assign its insured rating of “AA” to the Series F Bonds with the understanding that, upon delivery of the Series F Bonds, the Policy will be delivered by BAM. See “BOND INSURANCE.” Such rating is expected to be assigned solely as a result of the issuance of the Policy and will reflect only the rating agency’s view of the claims-paying ability and financial strength of BAM. Neither the District nor the Underwriter have made any independent investigation of the claims-paying ability of BAM and no representation is made that any insured rating of the Series F Bonds based upon the purchase of the Policy will remain higher than the rating agency’s underlying and uninsured rating of the Series F Bonds described above, which did not take bond insurance into account. The existence of the Policy will not, of itself, negatively affect such underlying and uninsured rating. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Series F Bonds and the claims-paying ability of BAM, particularly over the life of the investment. Without regard to any bond insurance, the Series F Bonds are payable from the proceeds of an *ad valorem* property tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series F Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES F BONDS.” However, any downward revision or withdrawal of any rating of BAM may have an adverse effect on the market price or the marketability (liquidity) for the Series F Bonds.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth LLP, San Francisco, California, is acting as Bond Counsel to the District with respect to the Series F Bonds. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District. Columbia Capital Management, Carlsbad, California, is acting as the District’s municipal advisor (the “Municipal Advisor”) with respect to the Series F Bonds. Kutak Rock LLP, Irvine, California, is acting as counsel to the Underwriter with respect to the Series F Bonds. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and counsel to the Underwriter are also contingent upon the sale and delivery of the Series F Bonds. From time-to-time, Bond Counsel represents the Underwriter on matters unrelated to the Series F Bonds or to the District. Disclosure Counsel also represents the Underwriter on matters unrelated to the Series F Bonds or to the District from time-to-time.

Underwriting

The Series F Bonds are being purchased for reoffering to the public by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), pursuant to the terms of a purchase contract executed on February 8, 2024 (the “Purchase Contract”), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Series F Bonds at a price of \$40,371,556.24 (representing the aggregate initial principal amount the Series F Bonds of \$38,340,823.50, plus original issue premium of \$2,136,170.00, and less an Underwriter’s discount of \$105,437.26). The Purchase Contract provides that the Underwriter will purchase all of the Series F Bonds, subject to certain terms and conditions set forth in the Series F Purchase Contract.

The Underwriter may offer and sell the Series F Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series F Bonds. Quotations from and summaries and explanations of the Series F Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series F Bonds.

The District has duly authorized the delivery of this Official Statement.

**COLTON JOINT UNIFIED SCHOOL
DISTRICT**

By: /s/ Frank Miranda, Ed.D.
Superintendent

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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The information in this appendix concerning the operations of the Colton Joint Unified School District (the “District”), the District’s finances, and State of California (the “State”) funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and accreted value of or interest on the Series F Bonds is payable from the general fund of the District or from State revenues. The Series F Bonds are payable from the proceeds of an ad valorem property tax approved by the voters of the District pursuant to all applicable laws and requirements of the Constitution of the State (the “California Constitution”), and required to be levied by San Bernardino County (“San Bernardino County”) and the County of Riverside (“Riverside County” and together with San Bernardino County, the “Counties”) on property within the District in an amount sufficient for the timely payment of principal and accreted value of and interest on the Series F Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES F BONDS” in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District has operated as a joint unified school district since July 1966 and is comprised of an area of approximately 46.8 square miles in San Bernardino County and Riverside County. The District operates 18 elementary schools, four middle schools, three comprehensive high schools, one continuation school, one adult school, one alternative high school and a child development center. Total enrollment in the District was approximately 19,296 students in fiscal year 2022-23. As of the preparation of the District’s first interim report for fiscal year 2023-24 (the “Fiscal Year 2023-24 First Interim Report”), total enrollment in the District is projected to be approximately 18,930 students in fiscal year 2023-24. The District operates under the jurisdiction of the San Bernardino County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2023-24 is approximately \$15.78 billion.

Board of Education

The District is governed by a seven-member Board of Education (the “Board of Education”), each member of which is a voting member. The members are elected at-large to four-year terms in alternate slates of three and four, and elections are held every two years. If a vacancy arises longer than four months before the end of a Board member’s term, the vacancy is filled by an election or a provisional appointment. Each December, the Board of Education elects a President, a Vice President and a Clerk to serve one-year terms. Current voting members of the Board of Education, together with their office, their trustee area, and the date their current term expires, are set forth in the following table.

COLTON JOINT UNIFIED SCHOOL DISTRICT (San Bernardino and Riverside Counties, California)

Board of Education

Name	Office	Trustee Area	Term Expires
Frank A. Ibarra	President	2	December 2024
Dan Flores	Vice President	2	December 2026
Israel Fuentes	Clerk	1	December 2026
Bertha Flores	Member	3	December 2024
Patt Haro	Member	1	December 2024
Berenice Sandoval	Member	2	December 2026
Joanne E. Thoring-Ojeda	Member	3	December 2026

Superintendent and Business Services Personnel

General. The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Dr. Frank Miranda was appointed by the Board to serve as Superintendent in January 2020. The Assistant Superintendent of Business Services is hired by and reports directly to the Superintendent. The Assistant Superintendent of Business Services is responsible for the District's finances and business operations. Gregory Fromm has served as Assistant Superintendent of Business Services since January 9, 2023.

Frank Miranda, Ed.D., Superintendent. Prior to his appointment as Superintendent, Dr. Miranda served as Acting Assistant Superintendent of Business Services of the District from May 2016 to December 2016. He was appointed Assistant Superintendent of Business Services effective December 2, 2016 until January 2020. Dr. Miranda also served as Director of Fiscal Services, Director of Human Resources and an elementary principal in the District.

Dr. Miranda began his career in education as a Math and Science teacher in the Pomona Unified School District. He served as vice principal of two different middle schools in the San Bernardino City Unified School District. Additionally, Dr. Miranda has also served as an Adjunct Professor for the University of Redlands and Concordia University. He has taught courses in the Doctoral, Administrative Credential and Master's programs to K-12 educators.

Dr. Miranda holds a Bachelor of Science degree in Business Administration from California State Polytechnic University, Pomona, a Master of Education degree in Cross-Cultural Teaching from National University, and a Doctor of Education degree in Organizational Leadership from the University of La Verne. He also holds a Chief Business Official Certificate from the State of California.

Gregory Fromm, Assistant Superintendent of Business Services. Gregory Fromm began his career in public education in 1995 as a substitute teacher, and has served in the positions of teacher, assistant principal, principal, Director of Student Services, Assistant Superintendent of Administration Services, Assistant Superintendent of Human Resources and Assistant Superintendent of Business Services. He has served as an Assistant Superintendent of Business for over eight years in four unified school districts. Mr. Fromm began working in the District on January 9, 2023. Mr. Fromm received his bachelor's degree from the University of Buffalo and master's degrees from California State University, San Bernardino, and Canisius College and holds a Chief Business Officials Certification from the California Association of School Business Officials (CASBO) and the University of Southern California.

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

The District is not aware of any major cybersecurity incident or breach of its systems during the last five years. The District educates staff on safe online computing practices and partners with the San Bernardino County Office of Education to employ security systems to protect against cybersecurity

incidents. As a result, the District expects that any such disruptions caused by a cybersecurity incident would be temporary in nature. However, there can be no assurance that a future cyberattack or attempted cybersecurity incident or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties. The District currently maintains cyber liability insurance.

The District relies on other entities and service providers in the course of operating the District, including the Counties with respect to the levy and collection of *ad valorem* property taxes and its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination agents and project management firms. No assurance can be given that future cyber threats and attacks against third party entities or service providers will not directly or indirectly impact the District or the owners of the Series F Bonds, including the possibility of impacting the timely payments of debt service on the Series F Bonds or timely filings pursuant to the District's continuing disclosure undertakings.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "– Allocation of State Funding to School Districts; Local Control Funding Formula") and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the California Constitution (see "– Local Property Tax Revenues"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. Based on the District's Fiscal Year 2023-24 First Interim Report, the District projects it will receive approximately 70.76% of its general fund revenues from State funds in fiscal year 2023-24 (not including the local portion derived from the District's share of the local *ad valorem* property tax), projected at approximately \$293.66 million. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "– Allocation of State Funding to School Districts; Local Control Funding Formula," "– Enrollment, A.D.A. and LCFF" and "– Other District Revenues – Other State Revenues" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by voters of the State in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the California Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" for more information.

State Budget Process. According to the California Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2023-24 State budget on June 27, 2023, which was amended through a series of legislative bills (as amended, the “2023-24 State Budget”).

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a California Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the California Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State’s share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year’s budget, from the Governor’s initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as “settle-up.” If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as “maintenance factor.”

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State’s response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying

settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force the State to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State did in fiscal years 2019-20 and 2020-21; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the California Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series F Bonds, and the District takes no responsibility for informing owners of the Series F Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2023-24 State Budget. The 2023-24 State Budget reflects a downturn in revenues and slower revenue growth than previous projections due to declining stock market, high inflation, rising interest rates and layoffs in high-wage sectors. The 2023-24 State Budget projects to address the shortfall in revenues by paying down the State's debt and using one-time surplus funds on one-time commitments. The 2023-24 State Budget includes a package of solutions to bridge an approximately \$31.7 billion shortfall while avoiding deep and damaging program cuts. Specifically, the 2023-24 State Budget shifts approximately \$9.3 billion of spending commitments from the State's general fund to other funds, reduces or pulls back approximately \$8.1 billion in previously approved State general fund spending, delays approximately \$7.9 billion in spending across multiple years, includes approximately \$6.1 billion in additional revenue, primarily from the Managed Care Organization tax as well as internal borrowing from special fund balances not projected for programmatic purposes, and builds in approximately \$340.0 million in trigger reductions that are projected to be restored in the proposed budget for fiscal year 2024-25, assuming sufficient funds at that time. The 2023-24 State Budget avoids new significant ongoing commitments and maintains fiscal discipline by setting aside a record \$37.8 billion in total budgetary reserves. The 2023-24 State Budget notes that a tax filing delay due to unprecedented storms in fiscal year 2022-23 has delayed the projected receipt of \$42.0 billion in State tax receipt to October 2023, including \$28.4 billion from personal income tax and \$13.3 billion from corporation tax, representing nearly one-fourth of the fiscal year 2022-23 total projected personal income tax, and nearly one-third of the fiscal year 2022-23 corporation tax.

The 2023-24 State Budget projects total resources available in fiscal year 2022-23 of approximately \$260.9 billion, including revenues and transfers of approximately \$205.1 billion and a prior year balance

of approximately \$55.8 billion, and total expenditures in fiscal year 2022-23 of approximately \$234.6 billion. The 2023-24 State Budget projects total resources available for fiscal year 2023-24 of approximately \$235.0 billion, inclusive of revenues and transfers of approximately \$208.7 billion and a prior year balance of approximately \$26.4 billion. The 2023-24 State Budget projects total expenditures in fiscal year 2023-24 of approximately \$225.9 billion, inclusive of non-Proposition 98 expenditures of approximately \$147.5 billion and Proposition 98 expenditures of approximately \$78.4 billion. Citing revenue risks and uncertainties, the 2023-24 State Budget includes a historic level of reserves as an important resiliency tool, setting aside a total of \$37.8 billion in fiscal year 2023-24 and allocates reserves as follows: approximately \$22.3 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$10.8 billion in the Proposition 98 Rainy Day Fund (Public School System Stabilization Account) (the “Proposition 98 Rainy Day Fund”), approximately \$900.0 million in the Safety Net Reserve, and approximately \$3.8 billion to the State’s Special Fund for Economic Uncertainties. In addition, the 2023-24 State Budget allocates approximately \$5.3 billion of the State general fund’s projected fund balance in fiscal year 2023-24 to the State’s Reserve for Liquidation of Encumbrances. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues.

The 2023-24 State Budget includes total funding of \$129.2 billion for all K-12 education programs, including \$79.5 billion from the State’s general fund and \$49.7 billion from other funds. The 2023-24 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2023-24 State Budget include the following:

- Proposition 98 Minimum Guarantee. The 2023-24 State Budget reflects Proposition 98 funding levels of \$110.6 billion in fiscal year 2021-22, \$107.4 billion in fiscal year 2022-23, and \$108.3 billion in fiscal year 2023-24. Such funding represents approximately 38.5% of the State’s general fund revenues, plus local property tax revenues. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2023-24 State Budget increased the funding level from approximately 38.2% to approximately 38.5% to increase the percentage of State general fund revenues due to the minimum guarantee.
- Proposition 98 Rainy Day Fund. The 2023-24 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund in fiscal years 2021-22 through 2023-24 for a total account balance of \$10.8 billion at the end of fiscal year 2023-24. The balance of approximately \$9.9 billion in fiscal year 2022-23 triggers a cap on school district reserves beginning in fiscal year 2023-24. See “– School District Reserves” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751.”
- Local Control Funding Formula. The 2023-24 State Budget includes a LCFF cost-of-living adjustment of 8.22%, which is the largest cost-of-living adjustment in the history of LCFF. The 2023-24 State Budget provides approximately \$556.3 million ongoing Proposition 98 general fund resources to reflect the cost-of-living adjustment for specified categorical programs. The cost-of-living adjustment, when combined with declining enrollment adjustments, increases the year-over-year discretionary funds available to local education agencies by approximately \$3.4 billion. The 2023-24 State Budget also reflects the utilization of approximately \$1.6 billion one-time Proposition 98 State general fund resources to support the overall costs of the LCFF in fiscal year 2023-24, and provides an increase of approximately \$80.0 million ongoing Proposition 98 State general fund resources to support county offices of education serving students in juvenile court and other alternative school settings.

- Accountability Improvements and Equity Multiplier. To support accountability and a continuous improvement system to ensure student group and school site equity gaps within a local education agency are identified and addressed through the Local Control and Accountability Plan, the 2023-24 State Budget provides approximately \$300.0 million ongoing Proposition 98 State general fund resources to establish an Equity Multiplier as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps, and approximately \$2.0 million ongoing Proposition 98 general fund resources to support the critical work of the new Equity Leads within the statewide system of support.
- Literacy. The 2023-24 State Budget provides approximately \$250.0 million one-time Proposition 98 general fund resources to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches and reading specialists for one-on-one and small group intervention for struggling readers.
- State Preschool Program. The 2023-24 State Budget includes the following set asides to fund any adjustments related to reimbursement for preschool providers: approximately \$343.1 million in Proposition 98 general fund resources and \$20,000 in non-Proposition 98 general fund resources from fiscal year 2022-23; approximately \$369.3 million in Proposition 98 general fund resources and \$126.1 million in general fund resources from fiscal year 2023-24; and approximately \$445.7 million in Proposition 98 general fund resources and \$186.5 million in general fund resources from fiscal year 2024-25. Consistent with this approach, the 2023-24 State Budget suspends the annual cost-of-living adjustment applicable to the State Preschool Program in fiscal years 2023-24 and 2024-25.

The 2023-24 State Budget reallocates approximately \$4.4 million non-Proposition 98 general fund resources and approximately \$5.3 million Proposition 98 general fund resources from the 2022-23 State budget to continue to waive family fees from July 1, 2023, through September 30, 2023, and provides approximately \$112.0 million in available federal funds to provide temporary stipends for State Preschool Program employees.

- Transitional Kindergarten. The 2023-24 State Budget provides approximately \$357.0 million in ongoing Proposition 98 general fund resources for fiscal year 2022-23 to support the first year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and February 2. The 2023-24 State Budget also provides approximately \$283.0 million in Proposition 98 general fund resources to provide one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2023-24 State Budget provides approximately \$597.0 million in ongoing Proposition 98 general fund resources beginning in fiscal year 2023-24 to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and April 2. The 2023-24 State Budget also provides approximately \$165.0 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.
- Arts, Music, and Instructional Materials Discretionary Block Grant. The 2023-24 State Budget decreases one-time Proposition 98 general fund support for the Arts, Music, and Instructional Materials Block Grant by approximately \$200.0 million, reducing total one-time program support from approximately \$3.5 billion to approximately \$3.3 billion. The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) will provide approximately \$938.0 million ongoing Proposition 98 general fund resources beginning in fiscal year 2023-24.

- Learning Recovery Emergency Block Grant. The 2023-24 State Budget delays approximately \$1.1 billion one-time Proposition 98 general fund resources for the Learning Recovery Emergency Block Grant to fiscal years 2025-26, 2026-27, and 2027-28.
- Zero-Emission School Buses. The 2023-24 State Budget delays approximately \$1.0 billion one-time Proposition 98 general fund resources to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to fiscal years 2024-25 and 2025-26.
- California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (FDK Program). The 2022-23 State budget included \$100.0 million one-time general fund resources and reflected an additional \$550.0 million in fiscal year 2023-24 to support the FDK Program. The 2023-24 State Budget delays the planned \$550.0 million investment for this program to fiscal year 2024-25.
- School Facility Program. The 2023-24 State Budget provides approximately \$2.0 billion one-time general fund resources, which is \$100.0 million less than previously planned, to support the School Facility Program in fiscal year 2023-24.
- Nutrition. The 2023-24 State Budget provides an additional \$154.0 million in ongoing Proposition 98 general fund resources and an additional \$110.0 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.
- Bipartisan Safer Communities Act, Stronger Connections Program. The 2023-24 State Budget provides approximately \$119.6 million in one-time federal funds to support local education activities related to improving school climate and safety through the Stronger Connections Program.
- Charter School Facility Grant Program. Consistent with the 2022-23 State budget, the 2023-24 State Budget provides a one-time investment of \$30.0 million Proposition 98 general fund resources to support eligible facilities costs.

The complete 2023-24 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of the 2024-25 Budget: California's Fiscal Outlook. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State legislature, released its report on the State's fiscal outlook entitled "The 2024-25 Budget: California's Fiscal Outlook" on December 7, 2023 (the "Fiscal Outlook Overview"). In the Fiscal Outlook Overview, the LAO analyzes the "budget problem" for the upcoming fiscal year 2024-25: an estimated \$68.0 billion budget deficit resulting from a severe decline in revenues in fiscal year 2022-23. Due to the State's extension of its tax filing deadline for residents and businesses impacted by severe winter storms in 2022-23, tax collections for fiscal year 2022-23 have continued past the close of such fiscal year. The LAO estimates that fiscal year 2022-23 revenues will be \$26.0 billion below the fiscal year 2023-24 State budget estimates for such fiscal year. In addition to the estimated \$68.0 billion budget deficit, the LAO estimates that the State faces annual operating deficits of approximately \$30.0 billion per fiscal year. The LAO's revenue outlook reflects the risk of continued economic weakness as the LAO anticipates revenue collections to be nearly flat in fiscal year 2023-24, after declining by 20% in fiscal year 2022-23. The LAO projects revenue growth returning in fiscal year 2024-25 and in future fiscal years. While addressing a

deficit of this scope will be challenging, the LAO notes that the State legislature has a number of options available to do so. In particular, the State legislature could withdraw reserves of \$24.0 billion, reduce one-time spending, and reduce Proposition 98 funding for schools and community colleges. The LAO recommends reducing Proposition 98 spending to the constitutional minimum allowed under Proposition 98, thereby reducing the State's general fund costs by \$16.7 billion.

The minimum Proposition 98 funding requirement for schools and community colleges across fiscal years 2022-23 through 2024-25 is \$18.8 billion lower than the estimates from June 2023. This reduction reflects two main adjustments: (1) a \$21.0 billion decrease in required general fund spending, and (2) a \$2.2 billion increase in local property tax revenues. The total reductions in the Proposition 98 minimum funding requirement are \$9.0 billion in fiscal year 2022-23, \$6.3 billion in fiscal year 2023-24, and \$3.5 billion in fiscal year 2024-25, representing the maximum reductions in education funding, relative to June 2023 estimates, that the State could make while still meeting the Proposition 98 minimum funding requirement. The LAO notes that the Proposition 98 minimum funding requirement changes automatically based on updated revenue estimates, but the law does not automatically adjust most education spending in the current or prior fiscal year. For fiscal year 2022-23, the LAO estimates that automatic adjustments only reduce Proposition 98 spending by \$1.3 billion compared with the level anticipated in June 2023. This reduction mainly reflects the elimination of the required deposit into the Proposition 98 Rainy Day Fund. It also reflects a small increase in costs for LCFF and various smaller adjustments. Accounting for the \$9.0 billion decrease in the Proposition 98 funding requirement and the \$1.3 billion decrease in costs, overall spending in the prior fiscal year is \$7.7 billion above the Proposition 98 minimum funding requirement. Funding above the minimum level would also become part of the base for calculating the minimum requirement in fiscal year 2023-24. Specifically, it would increase the fiscal year 2023-24 Proposition 98 funding requirement by \$4.2 billion relative to the amount the State would provide if it were to fund at the minimum required level.

The LAO estimates that if the State maintains funding of \$11.9 billion above the Proposition 98 minimum requirement across fiscal years 2022-23 and 2023-24, the Proposition 98 funding requirement in fiscal year 2024-25 would be \$113.0 billion, an amount slightly higher than the estimate the State made in June 2023. Conversely, if the State were to lower Proposition 98 funding in fiscal years 2022-23 and 2023-24 to the minimum levels allowed under Proposition 98, the funding requirement in fiscal year 2024-25 would be \$108.2 billion, approximately \$3.5 billion less than the estimate the State made in June 2023. The LAO notes that the State could also lower spending by some lesser degree than the minimum levels in fiscal years 2022-23 and 2023-24, which would result in a Proposition 98 funding requirement in fiscal year 2024-25 between \$108.2 billion and \$113.0 billion.

The LAO estimates that total costs of \$109.3 billion in fiscal year 2024-25 for maintaining existing school and community college programs. Of this amount, \$1.3 billion is the cost specifically associated with the 1.27% statutory COLA. Based on the LAO's baseline assumption that the State does not reduce Proposition 98 funding to the minimum level in the current or prior fiscal year, the Proposition 98 funding requirement in fiscal year 2024-25 would be more than enough to cover the statutory COLA. If the State were to reduce Proposition 98 spending to the minimum level, however, the fiscal year 2024-25 funding requirement would be approximately \$1.0 billion less than the cost of existing programs adjusted for COLA.

Based on deposits the State made in fiscal years 2020-21 and 2021-22, the Proposition 98 Rainy Day Fund currently holds a balance of \$8.1 billion (excluding additional deposits the State anticipated making in fiscal years 2022-23 and 2023-24 prior to lower revenue estimates). The State could use up to \$7.7 billion of this balance to cover education spending that exceeds the Proposition 98 minimum requirement in fiscal year 2022-23. Using the Proposition 98 Rainy Day Fund in this way would allow the State to lower general fund spending to the constitutional minimum level in the prior fiscal year without reducing the funding allocations it previously approved. From an accounting perspective, Proposition 98

Rainy Day Fund withdrawals do not count as spending for the purpose of determining the Proposition 98 minimum funding requirement in future fiscal years. Therefore, using the Proposition 98 Rainy Day Fund for fiscal year 2022-23 would reduce the constitutional minimum requirements in fiscal years 2023-24 and 2024-25. The formulas governing the Proposition 98 Rainy Day Fund would require the State to withdraw the remaining amount in the Proposition 98 Rainy Day Fund, approximately \$450.0 million, in fiscal year 2023-24. This approach assumes a budget emergency is declared. Under the State constitution, the State legislature may use withdrawals from the Proposition 98 Rainy Day Fund for any school or community college purpose.

The budget deficit and declining revenues described in the Fiscal Outlook Overview were considered by the Governor in developing the Proposed 2024-25 State Budget (defined herein), as detailed under the heading “– *Proposed 2024-25 State Budget.*”

The Fiscal Outlook Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2024-25 State Budget. The Governor released the fiscal year 2024-25 proposed State budget (the “Proposed 2024-25 State Budget”) on January 10, 2024, which maintains the State’s fiscal stability using some of the money saved in historic budget reserves. The Proposed 2024-25 State Budget notes that the estimated \$37.9 billion budget shortfall poses a substantial challenge and is rooted in two separate but related developments during fiscal years 2022-23 and 2023-24 – the substantial decline in the stock market that drove down revenues in fiscal year 2022-23 and the unprecedented delay in critical income tax collections in fiscal year 2023-24. The Governor’s proposed budgets in January and May 2023 warned of this increased budgetary uncertainty, and in June 2023, the State passed a budget that planned accordingly, setting aside record reserves of just under \$38.0 billion. The Proposed 2024-25 State Budget solves for last fiscal year’s shortfall while adjusting State spending to ensure continued fiscal stability in future fiscal years.

The stock market recovery and improved economic growth support the Proposed 2024-25 State Budget forecast assumptions that revenue growth will resume in fiscal year 2023-24 following the steep correction in fiscal year 2022-23, with potential upside through fiscal year 2024-25 if the markets continue to outperform the forecast. In addition, the Federal Reserve has indicated it intends to cut interest rates throughout 2024, which may stimulate real estate transactions and other sectors of State’s economy. However, several risk factors such as a significant financial shock from tightening financial conditions, stock market and asset price volatility, and declines and geopolitical turmoil, could negatively impact the economy going forward. The Proposed 2024-25 State Budget provides that even after the proposed withdrawals from State reserves, total reserves in fiscal year 2024-25 will remain substantial at \$18.4 billion. This includes \$11.1 billion in the Budget Stabilization Account (the “State Rainy Day Fund”), \$3.9 billion in the Public School System Stabilization Account (the “PSSSA” or the “Proposition 98 Rainy Day Fund”), and \$3.4 billion in the Special Fund for Economic Uncertainties (the “SFEU”).

The Proposed 2024-25 State Budget incorporates the following balanced combination of measures to close the budgetary shortfall in fiscal year 2024-25:

- \$13.1 billion in budget withdrawals from the State’s reserves, including \$10.4 billion from the Mandatory State Rainy Day Fund and Transfer Suspension, \$1.8 billion from the Discretionary State Rainy Day Fund, and \$900.0 million from the Safety Net Reserve.

- \$8.5 billion in various budget spending reductions, including, but not limited to, \$500.0 million in reductions to the School Facilities Aid Program and \$494.0 million in reductions to the Student Housing Revolving Loan Fund Program.
- \$5.7 billion in support from revenue sources and internal borrowing from special funds.
- \$5.1 billion in delayed budgetary funding for multiple items spread across a three-year period, beginning in fiscal year 2025-26, including but not limited to, a \$550.0 funding delay to the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.
- \$3.4 billion in budget fund shifts of certain expenditures from the State general fund to other funds, including, but not limited to, a \$1.3 billion reduction on State plans retirement contributions using Proposition 2 debt repayment funding.
- \$2.1 billion in funding deferrals to fiscal year 2025-26.

In addition to the budgetary solutions listed above, the Proposed 2024-25 State Budget includes withdrawals from the Proposition 98 Rainy Day Fund of \$5.7 billion to maintain support for local educational agencies and community college districts.

The Proposed 2024-25 State Budget estimates total resources available in fiscal year 2023-24 of approximately \$238.9 billion, including revenues and transfers of approximately \$196.9 billion and a prior year balance of approximately \$42.1 billion, and total expenditures in fiscal year 2023-24 of approximately \$230.9 billion. The Proposed 2024-25 State Budget projects total resources available for fiscal year 2024-25 of approximately \$222.7 billion, inclusive of revenues and transfers of approximately \$214.7 billion and a prior year balance of approximately \$8.0 billion. The Proposed 2024-25 State Budget projects total expenditures in fiscal year 2024-25 of approximately \$208.7 billion, inclusive of non-Proposition 98 expenditures of approximately \$131.8 billion and Proposition 98 expenditures of approximately \$76.9 billion. The Proposed 2024-25 State Budget includes approximately \$29.0 billion in reserves in fiscal year 2024-25 and allocates reserves as follows: approximately \$11.1 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$3.9 billion in the Proposition 98 Rainy Day Fund, approximately \$10.6 million in the Reserve for Liquidation and Encumbrances, and approximately \$3.4 billion in the State's SFEU.

The Proposed 2024-25 State Budget includes total funding of approximately \$126.8 billion for all K-12 education programs, including approximately \$76.4 billion from the State's general fund and approximately \$50.4 billion from other funds. Per-pupil funding totals \$17,653 per pupil in Proposition 98 funding and \$23,519 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2024-25 State Budget include the following:

- Proposition 98 Minimum Guarantee. The revised estimates of State general fund revenues in the Proposed 2024-25 State Budget result in notable adjustments to the Proposition 98 minimum guarantee, resulting in funding estimates of approximately \$98.3 billion in fiscal year 2022-23, \$105.6 billion in fiscal year 2023-24, and \$109.1 billion in fiscal year 2024-25, representing a three-year decrease in the minimum guarantee of approximately \$11.3 billion over the level funded in the 2023-24 State Budget. Recognizing that the delay in the State tax filing deadline in fiscal year 2022-23 impacted State revenue projections for fiscal year 2022-23 available at the time the 2023-24 State Budget was enacted, the Proposed 2024-25 State Budget proposes statutory changes to

address approximately \$8.0 billion of this decrease to avoid impacting existing school district and community college district budgets.

- Proposition 98 Rainy Day Fund. The 2023-24 State Budget projected a total balance of \$10.8 billion in the Proposition 98 Rainy Day Fund. The Proposed 2024-25 State Budget reflects revised fiscal year 2022-23 and 2023-24 payments, and a fiscal year 2024-25 payment, of approximately \$339.0 million, \$288.0 million, and \$752.0 million, respectively, into the Proposition 98 Rainy Day Fund, and withdrawals of approximately \$3.0 billion in fiscal year 2023-24 and \$2.7 billion in fiscal year 2024-25, for a total revised account balance of more than \$3.8 billion at the end of fiscal year 2024-25. There is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the Proposition 98 Rainy Day Fund is equal to or greater than 3% of the total K-12 share of the Proposition 98 minimum guarantee. The balance of \$5.7 billion in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 continues to trigger school district reserve caps in fiscal year 2024-25.
- Local Control Funding Formula. The Proposed 2024-25 State Budget includes a LCFF cost-of-living adjustment of approximately 0.76%. When combined with population growth adjustments, this will result in a decrease of approximately \$1.4 billion in discretionary funds for local educational agencies. To fully fund this increase and to maintain the level of current year principal apportionments, the Proposed 2024-25 State Budget proposes withdrawing approximately \$2.8 billion from the Proposition 98 Rainy Day Fund to support ongoing LCFF costs in fiscal year 2023-24, withdrawing approximately \$2.2 billion from the Proposition 98 Rainy Day Fund to support ongoing LCFF costs in fiscal year 2024-25, and using available reappropriation and reversion funding totaling \$38.6 million to support ongoing LCFF costs in fiscal year 2024-25.
- Local Property Tax Adjustments. The Proposed 2024-25 State Budget includes decreases of in Proposition 98 general fund resources for school districts and county offices of education of \$113.0 million and \$996.0 million, respectively, in fiscal year 2023-24 and fiscal year 2024-25, as a result of increased offsetting property taxes.
- Instructional Continuity. To provide students with needed instructional continuity including when facing challenges such as severe climate events, illness, or other barriers that impact attendance, the Proposed 2024-25 State Budget proposes statutory changes to allow local educational agencies to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss and chronic absenteeism, as well as related fiscal impacts.
- California State Preschool Program. To support reimbursement rate increases previously supported by available one-time federal stimulus funding, the Proposed 2024-25 State Budget includes \$53.7 million in general fund resources. These resources are in addition to approximately \$140.6 million in general fund resources and \$206.3 million in Proposition 98 general fund resources identified in the 2023-24 State Budget.
- Teacher Preparation and Professional Development. To support training for educators to administer literacy screenings, the Proposed 2024-25 State Budget proposes \$25.0 million in ongoing Proposition 98 general fund resources through the K-12 Mandate Block Grant.

To further assist educators in teaching mathematics aligned to the State Board of Education's newly adopted Mathematics Framework, the Proposed 2024-25 State Budget proposes \$20.0 million in one-time Proposition 98 general fund resources for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or

non-profit providers, to develop and provide training for mathematics coaches and leaders who can in turn provide training and support to math teachers to deliver high-quality instruction.

The Proposed 2024-25 State Budget also proposes to make statutory changes to focus the use of unexpended allocated Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs and incorporated into the existing Local Control and Accountability Plan (LCAP) development process, and to clarify that the allowable uses of such grant funds include professional development aligned to the new Mathematics Framework.

- School Facility Program. The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (Proposition 51), approved by voters in November 2016, authorized \$9.0 billion in State general obligation bonds to support K-12 and community college school facilities construction. With Proposition 51 bond authority funds nearly exhausted, the 2022-23 State budget and 2023-24 State Budget provided approximately \$1.3 billion in one-time general fund resources and \$2.0 billion in one-time general fund resources, respectively, for the School Facility Program, for K-12 school facilities construction. To address the projected budget shortfall, the Proposed 2024-25 State Budget adjusts a planned fiscal year 2024-25 investment for the School Facility Program from \$875.0 million to \$375.0 million in one-time general fund resources.
- Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. The Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (the “FDK Program”) supports the construction of new school facilities or retrofitting existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms. The 2022-23 State budget included \$100.0 million in one-time general fund resources for the FDK Program, and the 2023-24 State Budget reflected an additional \$550.0 million in fiscal year 2024-25 to support the FDK Program. To address the projected budget shortfall, the Proposed 2024-25 State Budget delays the fiscal year 2024-25 planned investment of \$550.0 million to fiscal year 2025-26.
- Zero-Emission School Buses. The Proposed 2024-25 State Budget maintains \$500.0 million one-time Proposition 98 general fund resources to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission in fiscal year 2024-25.
- Nutrition. The Proposed 2024-25 State Budget includes an increase of \$122.2 million in ongoing Proposition 98 general fund resources to fully fund the universal school meals program in fiscal year 2024-25.

The complete Proposed 2024-25 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2024-25 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2024-25 State Budget. In May 2024, the Governor will revise the Proposed 2024-25 State Budget based on updated information available at such time. Such revision in May 2024 may also differ substantially from the Proposed 2024-25 State Budget. The final fiscal year 2024-25 State budget may be affected by national and State economic conditions and other factors which the District cannot predict. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2024-25 State

budget from the Proposed 2024-25 State Budget. The District cannot predict the impact that the final fiscal year 2024-25 State budget, or subsequent budgets, will have on its finances and operations.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during the current fiscal year and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series F Bonds are payable from *ad valorem* property taxes, proposed and enacted State budgets are not expected to have a material impact on the payment of the Series F Bonds.

School District Reserves. The State's economic and revenue outlook has changed, and the Governor is now proposing both payments into and withdrawals from the Proposition 98 Rainy Day Fund in fiscal years 2023-24 and 2024-25 in the Proposed 2024-25 State Budget (see “– *Proposed 2024-25 State Budget*”); school districts may need to access their local reserves in light of operational needs that may exceed expected funding under LCFF in a given fiscal year. The District, which has an average daily attendance (“A.D.A.”) of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. At the time of preparation of the Fiscal Year 2023-24 First Interim Report, the District projects it will meet the 3% statutory reserve requirement in fiscal years 2023-24 through 2025-26. Based on the Fiscal Year 2023-24 First Interim Report, which does not take the Governor's Proposed 2024-25 State Budget into consideration, the District projects it will not need to use its existing general fund balance in fiscal years 2023-24 through 2025-26 to meet its obligations.

Payments allocated to the Proposition 98 Rainy Day Fund under the fiscal year 2021-22 State budget and the Fiscal Year 2022-23 State budget triggered a reserve cap for school districts in fiscal years 2022-23 and 2023-24, respectively. Such reserve cap is triggered when the amount of money in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total State general fund revenues appropriated for school districts Statewide. Even with the Governor's proposed withdrawals in fiscal years 2023-24 and 2024-25 in the Proposed 2024-25 State Budget (see “– *Proposed 2024-25 State Budget*”), the Proposed 2024-25 State Budget indicates the balance of \$5.7 billion in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 continues to trigger school district reserve caps in fiscal year 2024-25. In accordance with Section 42127.01(a) of the California Education Code, once the reserve cap is triggered, a school district's assigned and unassigned ending fund balance cannot exceed 10% of such school district's general fund balance. However, pursuant to Section 42127.01(c) of the California Education Code, community funded districts and small school districts with fewer than 2,501 units of A.D.A. are exempt from the reserve cap. Since the District is neither a community funded district nor a small school district with fewer than 2,501 units of A.D.A., the District is subject to the reserve cap. To address the reserve cap, the District has committed a portion of its assigned and unassigned ending fund balance to specific expected expenditures, including for declining enrollment mitigation, future program needs, and additional reserves in excess of the State minimum. For more information on the reserve cap legislation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*.”

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (“ERAF”) in each county. Local

agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the California Constitution, which voters of the State approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as “Proposition 22.”

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*”). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State’s authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, each school district received State funding based on a unique revenue limit multiplied by such school district’s A.D.A. Under the revenue limit funding system, school districts also received funding for categorical programs based on the demographics and needs of the students in each school district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant (“Base Grant”) per unit of A.D.A. with additional supplemental funding (referred to as a “Supplemental Grant” and a “Concentration Grant”) allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, but achieved full implementation ahead of schedule in fiscal year 2018-19. The LCFF includes the following components:

- A Base Grant for each local education agency (“LEA”). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2023-24, the LCFF provided to school districts and charter schools: (a) a Base Grant for each LEA equivalent to \$10,951 per A.D.A. for kindergarten through grade 3; (b) a Base Grant for each LEA equivalent to \$10,069 per A.D.A. for grades 4 through 6; (c) a Base Grant for each LEA equivalent to \$10,367 per A.D.A. for grades 7 and 8; (d) a Base Grant for each LEA equivalent to \$12,327 per A.D.A. for grades 9 through 12. However, the

amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. The Base Grant amount for fiscal year 2023-24 includes a cost-of-living adjustment of 8.22%.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 65% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.
- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

Prior to fiscal year 2022-23, school districts received their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. This apportionment method helped to temporarily mitigate the impact of LCFF funding losses on school districts that result from declining enrollment. To further mitigate the impact of LCFF funding losses in light of the COVID-19 pandemic, the fiscal year 2020-21 State budget included a temporary hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21 in which A.D.A. for fiscal year 2020-21 was based on fiscal year 2019-20 (specifically, the period July 1, 2019, through February 29, 2020). The fiscal year 2021-22 State budget did not extend the A.D.A. hold harmless provision to fiscal year 2021-22. Nonetheless, in fiscal year 2021-22, school districts still retained the ability to receive their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. in accordance with the LCFF.

The fiscal year 2022-23 State budget, as amended (the "2022-23 State Budget") amended the LCFF calculation to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' A.D.A. to allow school districts more time to adjust to enrollment-related LCFF funding declines. For purposes of fiscal year 2021-22, a school district that can demonstrate it provided independent study offerings to students in fiscal year 2021-22 may consider the greater of such school district's fiscal year 2021-22 A.D.A. or such school district's fiscal year 2021-22 enrollment adjusted for pre-COVID-19 absence rates. Such adjustment is applicable to fiscal year 2021-22 for purposes of calculating a school district's fiscal year 2021-22 annual apportionment and calculating a school district's prior year A.D.A. or the average of three prior years' A.D.A. in fiscal year 2022-23 and future fiscal years in accordance with the amendments made in connection with the 2022-23 State Budget.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts continue to receive the same level of State aid as allocated under the prior revenue limit funding system in fiscal year 2012-13.

Enrollment, A.D.A. and LCFF. The following table sets forth the District's actual A.D.A., funded A.D.A., the basis for such funded A.D.A. (the current fiscal year A.D.A., the prior fiscal year A.D.A., or the average of three prior years' A.D.A.), enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and Base Grant (or targeted Base Grant, as applicable) per unit of A.D.A. for fiscal years 2018-19 through 2022-23, and the District's projected A.D.A., funded A.D.A., the basis for such funded A.D.A., enrollment (including the percentage of EL/LI Students), and Base Grant per unit of A.D.A. for fiscal year 2023-24 at

the time of preparation of the Fiscal Year 2023-24 First Interim Report. The A.D.A. and enrollment numbers below reflected include special education, TK students and adult education.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Average Daily Attendance, Enrollment and Base Grant
Fiscal Years 2018-19 through 2023-24

Fiscal Year		A.D.A./Base Grant					Funding Basis	Enrollment ⁽¹¹⁾	
		TK-3	4-6	7-8	9-12	Total A.D.A		Total Enrollment	Unduplicated % of EL/LI Students
2018-19	Actual A.D.A. ⁽¹⁾ :	6,313.57	4,888.19	3,552.99	6,156.20	20,910.95	--	22,013	82.47%
	Funded A.D.A. ⁽¹⁾ :	6,515.17	5,115.18	3,515.58	6,288.73	21,434.66	Current	--	--
	Targeted Base Grant ⁽²⁾⁽³⁾ :	\$8,235	\$7,571	\$7,796	\$9,269	--	--	--	--
2019-20	Actual A.D.A. ⁽¹⁾⁽⁴⁾ :	6,116.43	4,642.72	3,492.38	6,063.56	20,315.09	--	21,468	82.10%
	Funded A.D.A. ⁽¹⁾⁽⁴⁾ :	6,320.27	4,892.78	3,548.15	6,160.68	20,921.68	Current	--	--
	Base Grant ⁽²⁾⁽⁵⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--	--
2020-21	Actual A.D.A. ⁽¹⁾⁽⁶⁾ :	6,116.59	4,642.72	3,492.33	6,063.55	20,315.19	--	20,626	83.09%
	Funded A.D.A. ⁽¹⁾⁽⁶⁾ :	6,116.59	4,642.72	3,492.33	6,063.55	20,315.19	Current	--	--
	Base Grant ⁽²⁾⁽⁷⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--	--
2021-22	Actual A.D.A. ⁽¹⁾ :	5,427.75	4,416.25	2,987.07	6,065.73	18,896.80	--	20,043	82.15%
	Funded A.D.A. ⁽¹⁾ :	6,116.59	4,642.72	3,492.33	6,063.55	20,315.19	Prior	--	--
	Base Grant ⁽²⁾⁽⁸⁾ :	\$8,935	\$8,215	\$8,458	\$10,057	--	--	--	--
2022-23	A.D.A. ⁽¹⁾ :	5,219.70	4,188.46	2,790.26	5,289.47	17,487.89	--	19,342	84.09%
	Funded A.D.A. ⁽¹⁾ :	5,886.98	4,567.23	3,323.91	6,064.28	19,842.40	3-PY Avg.	--	--
	Base Grant ⁽²⁾⁽⁹⁾ :	\$10,119	\$9,304	\$9,580	\$11,391	--	--	--	--
2023-24	A.D.A.:	5,155.15	4,055.87	2,804.62	5,210.66	17,226.30	--	18,976	83.59%
	Funded A.D.A.:	5,588.01	4,415.81	3,089.89	5,806.25	18,899.96	3-PY Avg.	--	--
	Base Grant ⁽²⁾⁽¹⁰⁾ :	\$10,951	\$10,069	\$10,367	\$12,327	--	--	--	--

⁽¹⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a “material decrease” in attendance or attendance at Saturday school.

⁽²⁾ Such amounts include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF.

⁽³⁾ Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts.

⁽⁴⁾ Condensed reporting period due to the COVID-19 pandemic. For more information on Senate Bill 117 (as defined herein), see “– Infectious Disease Outbreak – State Legislation Relating to School Districts” below.

⁽⁵⁾ Fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.

⁽⁶⁾ Attendance reporting not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision, providing that A.D.A. for fiscal year 2020-21 was based on A.D.A. for fiscal year 2019-20 (for the condensed reporting period), as discussed in more detail above.

⁽⁷⁾ Fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from fiscal year 2019-20 Base Grant amounts.

⁽⁸⁾ Fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a 1% discretionary increase in Base Grant funding.

⁽⁹⁾ Fiscal year 2022-23 Base Grant amount reflects an approximately 13.26% adjustment from fiscal year 2021-22 Base Grant amounts, which includes a 6.56% cost-of-living adjustment and a 6.70% discretionary increase in Base Grant funding.

⁽¹⁰⁾ Fiscal year 2023-24 Base Grant amount included in the Revised Fiscal Year 2023-24 Budget assumes an 8.22% cost-of-living adjustment.

⁽¹¹⁾ Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district’s funded percentage of unduplicated EL/LI Students is based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Colton Joint Unified School District.

The District received approximately \$279.16 million in aggregate revenues reported under LCFF sources in fiscal year 2022-23 (or approximately 64.95% of its general fund revenues in fiscal year 2022-23). Such amount includes Supplemental Grants and Concentration Grants for targeted groups of approximately \$34.24 million and \$38.49 million, respectively, in fiscal year 2022-23. As of the Fiscal

Year 2023-24 First Interim Report, the District projects to receive approximately \$286.93 million in aggregate revenues reported under LCFF sources in fiscal year 2023-24 (or approximately 69.14% of its projected general fund revenues in fiscal year 2023-24). Such amount includes Supplemental Grants and Concentration Grants for targeted groups projected at approximately \$35.09 million and \$39.01 million, respectively, in fiscal year 2023-24.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Typically, each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Local Property Tax Revenues

General. The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. The District's share of the local 1% property tax is separate from and in addition to the *ad valorem* property tax pledged to the repayment of all general obligation bonds of the District, including the Series F Bonds. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as a LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the

same level of State aid as allotted in fiscal year 2012-13. See “– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*” for more information about the LCFF.

Based on the Fiscal Year 2023-24 First Interim Report, local property tax revenues are projected to account for approximately 14.33% of the District’s aggregate revenues reported under LCFF sources in fiscal year 2023-24 and are projected to be approximately \$41.11 million, or 9.90% of total general fund revenues in fiscal year 2023-24.

For information about the property taxation system in the State and the District’s property tax base, see “– Property Taxation System,” “– Assessed Valuation of Property Within the District,” and “– Tax Charges and Delinquencies” under the caption “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES F BONDS” in the front portion of the Official Statement.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below.

Effect of Changes in Enrollment. Changes in local property tax revenue and A.D.A. affect LCFF districts and community funded districts differently.

In a LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district’s entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In a community funded district, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF district, but since all LCFF funding (and more) is already generated by local property taxes, there is no increase in State funding, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax revenue is stretched further. Declining enrollment does not reduce property tax revenue, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Based on the Fiscal Year 2023-24 First Interim Report, the District projects that federal revenues, most of which are restricted, will comprise approximately 15.74% (or approximately \$65.32 million) of the District’s general fund projected revenues for fiscal year 2023-24.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the LCFF, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Based on the Fiscal Year

2023-24 First Interim Report, the District projects that other State revenues will comprise approximately 10.65% (or approximately \$44.18 million) of the District's general fund projected revenues for fiscal year 2022-23.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. Based on the Fiscal Year 2023-24 First Interim Report, the District projects to receive approximately \$3,595,873 in State lottery revenue for fiscal year 2023-24.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Based on the Fiscal Year 2023-24 First Interim Report, the District projects that other local revenues will comprise approximately 4.48% (or approximately \$18.59 million) of the District's general fund projected revenues for fiscal year 2023-24.

Infectious Disease Outbreak

General. In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, many school districts in the State are funded based on the LCFF, which allocates a Base Grant per unit of average daily attendance with additional supplemental funding in the form of Supplemental Grants and Concentration Grants based on certain factors. See “– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula.*” Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See “– State Funding of Education; State Budget Process – *Future Budgets and Budgetary Actions.*” In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

COVID-19 Background. The outbreak of the respiratory disease caused by COVID-19 was declared a pandemic by the World Health Organization, a national emergency by former President Trump and a state of emergency by the Governor. The national and public health emergency declarations ended on May 11, 2023. Additionally, the Governor issued a proclamation terminating the State's COVID-19 state of emergency on February 28, 2023.

Federal Response. On March 22, 2020, former President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19 administered through the Federal Emergency Management Agency (“FEMA”). Local educational agencies may submit a request for FEMA public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District did not submit a FEMA request for public assistance and does not plan to submit such request.

On March 27, 2020, the Congress approved and former President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act provided \$30 billion to education, specifically \$3 billion allocated to state governors to be used at their discretion to address the emergency, \$13.5 billion for K-12 education, and \$14.25 billion for postsecondary institutions. School districts are able to use their share of the \$13.5 billion K-12 education allocation under the CARES

Act, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses.

The District received approximately \$30,929,786 under the CARES Act, which is the full amount allocated to the District under the CARES Act, and includes funding from the Elementary and Secondary School Emergency Relief Fund provided directly from the federal government to the District, from the Coronavirus Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, from the Governor's Emergency Education Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, and from the State's general fund for learning loss mitigation provided from CARES Act funding administered through the State. The CARES Act funding has been fully spent by the District.

On December 27, 2020, HR 133 was enacted, which includes a \$900 billion COVID-19 relief package. HR 133 provided approximately \$81.9 billion to education, specifically about \$4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which approximately \$2.75 billion was reserved for private K-12 education, about \$54.3 billion for public K-12 education, around \$22.7 billion for postsecondary institutions, and about \$819 million for outlying areas and Bureau of Indian Affairs schools. School districts are able to use their share of the approximately \$54.3 billion K-12 education allocation under HR 133, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses. The District received approximately \$24,728,592 under HR 133, which is the full amount allocated to the District under HR 133, and such funds have been fully spent by the District.

On March 11, 2021, the American Rescue Plan Act of 2021 ("HR 1319"), a \$1.9 trillion COVID-19 relief package, was enacted. HR 1319 provided approximately \$165.15 billion to education, specifically about \$122.8 billion to public K-12 education, around \$2.75 billion to private K-12 education and about \$39.6 billion to postsecondary institutions. Of the approximately \$122.8 billion in K-12 funding, about \$7.2 billion was set aside for purchasing technology to support digital learning and around \$800 million was set aside for supporting homeless students. HR 1319 allocated K-12 funding to states and school districts according to the proportion of Title I funding received for the then most recent fiscal year. It further stipulated that of the K-12 funds received by states, 90% must be distributed to local educational agencies, 5% must be used to address learning loss, 1% must be used for summer enrichment programs and 1% must be used for comprehensive afterschool programs, and of the K-12 funds received by school districts, 20% must be used to address learning loss. HR 1319 allocated postsecondary funding based on the relative share of students receiving Federal Pell Grants at an institution. It also required that at least 50% of postsecondary funding must be spent on emergency, need-based financial aid grants to students and that a portion of remaining funds must be used to implement practices that monitor and suppress COVID-19. The District expects to receive approximately \$55,588,420 under HR 1319. The District has received approximately \$9,767,214 to date and expects to receive the remaining funding due under HR 1319 once it requests reimbursement for authorized COVID-19 expenditures.

State Legislation Relating to School Districts. On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limited the A.D.A. reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applied to school districts that complied with Executive Order N-26-20, which provided that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. SB 117 further states the intent of the State Legislature is that a school district's employees and contractors be paid during the period of a school closure due to COVID-19. SB 117 also waived instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the

closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also included \$100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received approximately \$363,934 from such additional State funding in fiscal year 2019-20.

The Governor signed Assembly Bill 86 (“AB 86”) into law on March 5, 2021. AB 86 provided approximately \$6.6 billion to local educational agencies to encourage a return to in-person education, with a focus on students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Funding was distributed as follows: \$725 per student, an additional \$1,000 per homeless student, and funds remaining after these apportionments are distributed proportionally based on LCFF. \$2 billion was set aside as incentive for school districts that returned to in-person instruction by March 31, 2021, for at least TK-2 and ramping up to include higher grades if county transmission rates allow. Beginning April 1, 2021, school districts’ apportioned incentive funding was reduced by 1% for every academic calendar day they do not offer in-person education until May 15, 2021, after which school districts forfeit their entire apportionment of incentive funding. AB 86 also established reporting requirements to monitor COVID-19 cases and in-person education status and apportioned \$25 million to the State’s “Safe Schools For All Team” to provide technical assistance, community engagement, oversight and accountability to school districts. AB 86 further set aside 10% of the State’s vaccine supply for childcare and TK-12 education sector staff.

In addition to providing incentive funding, AB 86 allocated approximately \$4.6 billion to local educational agencies to support expanded learning opportunities that target learning loss resulting from the COVID-19 pandemic. To be eligible for such funding, school districts were required to implement learning recovery programs that included, at minimum, supplemental instruction, resources for social and emotional well-being and meal programs. Subsequent to enacting AB 86, the Governor signed Assembly Bill 130 (“AB 130”) into law on July 9, 2021. AB 130 replaced approximately \$2.02 billion of State funding that AB 86 had allocated to support the expanded learning opportunities program with federal stimulus funds that the State received pursuant to the CARES Act, HR 133 and HR 1319.

Under AB 86, the District did not receive any incentive funding for returning to in-person instruction by April 2021. The District received approximately \$17,108,543 under AB 86 in expanded learning opportunities funding and the District has spent about \$11,809,541 to date.

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction in March 2020 for the remainder of the 2019-20 school year and implemented a distance learning model. On July 16, 2020, the Board voted to start the 2020-21 school year on August 5, 2020, using a staged approach. The District started the 2020-21 school year using the distance learning model and continued to use the distance learning model until April 2021, at which point the District began reopening with a phased in approach and has continued in-person instruction since then. The District offers independent study which the District launched in August 2021 in response to the COVID-19 pandemic.

Pursuant to the COVID-19 relief measures described above, the District has been allocated approximately \$128.72 million in State and federal funding to mitigate the impact of the COVID-19 pandemic during fiscal years 2019-20 through 2022-23. As of the end of fiscal year 2022-23, the District has spent or encumbered approximately \$77.60 million of such State and federal funding on COVID-19 related expenditures, such as personal protective equipment, cleaning supplies, technology, professional development, COVID-19 testing and staffing. The District currently expects such funding will cover the increased expenditures relating to COVID-19 that the District has incurred and expects to incur through fiscal year 2023-24.

While the State and federal one-time COVID-19 relief funding has provided and will continue to provide some immediate relief to school districts, including the District, the long-term impacts of the COVID-19 outbreak on the District's operations and finances are not fully known as the situation continues to evolve. The District cannot predict whether similar legislation providing State and federal one-time relief funding would be enacted in the event the outbreak severity of COVID-19 returns or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

At this time, there are no charter schools operating in the District, and there are no applications for charter schools currently pending. The District cannot provide any assurances as to whether any new charter schools will be established within the territory of the District, or as to the impact any charter school developments may have on the District's finances in future years.

Significant Accounting Policies and Audited Financial Statements

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are required to be accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2023, which are included as Appendix B to the Official Statement.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller's Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. However, in response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill)

provided that a school district's audited financial statements for fiscal year 2019-20 were not due until March 31, 2021. Accordingly, the District filed its audited financial statements for fiscal year 2019-20 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Bernardino County Superintendent of Schools by March 31, 2021. Pursuant to Assembly Bill 130 (Chapter 44, enacted on July 9, 2021), the deadline for school districts to file their audited financial statements for fiscal year 2020-21 was extended to January 31, 2022. Accordingly, the District filed its audited financial statements for fiscal year 2020-21 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Bernardino County Superintendent of Schools by January 31, 2022. The deadline for school districts to file their audited financial statements for fiscal year 2021-22 was not extended.

The District's contract with its former independent auditor, Nigro & Nigro, PC, Murrieta, California ("Nigro"), terminated at the end of fiscal year 2019-20 and, subsequently, pursuant to a selection process involving requests for proposals from multiple accounting firms, Eide Bailly, Rancho Cucamonga, California ("Eide Bailly") was selected as the District's auditor. The change in auditor in fiscal year 2019-20 resulted in the District presenting certain financial information differently in its audited financial statements. Thus, the information presented in the following tables for fiscal years 2018-19 through 2019-20, and fiscal years 2020-21 through 2022-23, are categorized differently. Although historical total revenue and expenditure figures are comparatively consistent, the categorical breakdown of revenues and expenditures is different for the revised accounting formats and is not directly comparable.

The following tables contain data extracted from general fund financial statements prepared by Nigro and Eide Bailly. Nigro and Eide Bailly have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement. The following tables are only a summary of the general fund financial statements of the District for the fiscal years shown. The District's audited financial statements for the fiscal year ended June 30, 2023, are described throughout this Appendix A and are included as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this Official Statement.

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2018-19 and 2019-20. The table on page A-26 sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2020-21 through 2022-23.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance⁽¹⁾
Fiscal Years 2018-19 and 2019-20⁽¹⁾

	Fiscal Year 2018-19 <u>Audited Actuals</u>	Fiscal Year 2019-20 <u>Audited Actuals</u>
REVENUES		
LCFF sources	\$234,973,616	\$236,402,762
Federal sources	14,470,455	15,244,507
Other State sources	34,255,224	25,567,980
Other local sources	10,506,012	11,048,240
Total Revenues	<u>294,205,307</u>	<u>288,263,489</u>
EXPENDITURES		
Current:		
Instructional Services:		
Instruction	162,743,257	169,561,954
Instruction-Related Services:		
Supervision of instruction	9,250,068	9,334,765
Instructional library, media, and technology	2,649,901	2,694,534
School site administration	16,205,395	16,452,396
Pupil Support Services:		
Home-to-school transportation	5,709,407	5,742,524
Food services	26,781	155,905
All other pupil services	23,252,237	24,126,279
Ancillary Services	2,277,867	2,277,694
Community Services	164,931	154,576
General Administration Services:		
Data processing services	5,783,371	6,678,459
Other general administration	11,546,103	12,920,733
Plant services	36,564,509	29,405,836
Transfers of Indirect Costs	(55,982)	(65,000)
Capital Outlay	5,724,450	6,485,293
Intergovernmental Transfers	2,775,824	3,355,586
Debt service:		
Principal	699,678	803,525
Interest	193,575	368,259
Total Expenditures	<u>285,511,372</u>	<u>290,520,812</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,693,935</u>	<u>(2,257,323)</u>
OTHER FINANCING SOURCES (USES)		
Interfund transfers out ⁽²⁾	(4,656,207)	(8,283,349)
Proceeds from capital leases	7,049,615	-
Total Other Financing Sources and Uses	<u>2,393,408</u>	<u>(8,283,349)</u>
NET CHANGE IN FUND BALANCE	11,087,343	(10,540,672)
Fund Balance – Beginning	44,238,277	55,325,620
Fund Balance – Ending	<u>\$55,325,620</u>	<u>\$44,784,948</u>

⁽¹⁾ Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 54, the District’s audited financial statements include the financial activity of the deferred maintenance fund (fund 14) with the District’s general fund.

⁽²⁾ Transfers from the District’s General Fund to other funds of the District include support to the Cafeteria Fund, Adult Education Fund and State Preschool Fund, transfer contributions for other post-employment benefits, transfer redevelopment agency funds to the District’s Capital Facilities Fund, and transfer funds for capital projects to the Special Reserve for Capital Projects Fund.

Source: Colton Joint Unified School District Audited Financial Statements for fiscal years 2018-19 and 2019-20.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance⁽¹⁾
Fiscal Years 2020-21 through 2022-23

	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals	Fiscal Year 2022-23 Audited Actuals
Revenues			
Local Control Funding Formula	\$231,083,457	\$248,880,175	\$279,155,654
Federal sources	51,547,690	32,831,442	37,112,986
Other State sources	33,093,012	45,405,610	92,746,000
Other local sources	14,396,248	12,298,224	20,753,905
Total Revenues	330,120,407	339,415,451	429,768,545
Expenditures			
Current			
Instruction	165,406,032	184,303,958	205,324,356
Instruction-related activities			
Supervision of instruction	8,736,599	9,536,973	11,600,791
Instructional library, media, and technology	2,652,122	3,099,125	3,647,127
School site administration	16,200,615	17,744,775	17,954,863
Pupil services			
Home-to-school transportation	4,925,395	6,029,827	6,891,056
Food services	738,096	121,668	282,468
All other pupil services	24,847,398	29,272,470	32,087,755
Administration			
Data processing	12,898,722	10,230,813	9,083,082
All other administration	13,905,242	17,296,588	14,389,692
Plant services	31,692,072	37,416,662	41,985,511
Ancillary services	1,944,513	2,494,544	2,976,105
Community services	16,643	234,538	308,985
Other outgo	3,356,712	3,334,651	3,397,655
Enterprise services	74,097	6,516	11,555
Facility acquisition and construction	4,017,677	4,383,327	5,376,817
Debt service			
Principal	833,971	291,974	2,143,374
Interest and other	420,008	916,943	414,811
Total Expenditures	292,665,914	326,715,352	357,876,003
Excess (Deficiency) of Revenues Over Expenditures	37,454,493	12,700,099	71,892,542
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources – proceeds from leases	-	3,596,295	822,582
Transfers out ⁽²⁾	(4,798,290)	(3,494,024)	(4,678,533)
Net Financing Sources (Uses)	(4,798,290)	102,271	(3,855,951)
Net Change in Fund Balance	32,656,203	12,802,370	68,036,591
Fund Balance – Beginning, as restated	44,784,948	77,441,151	89,064,191⁽³⁾
Fund Balance – Ending	\$77,441,151	\$90,243,521	\$157,100,782⁽⁴⁾

⁽¹⁾ Pursuant to GASB Statement No. 54, the District's audited financial statements include the financial activity of the deferred maintenance fund (fund 14) with the District's general fund.

⁽²⁾ Transfers out to the child development fund for contributions and to the cafeteria fund for indirect cost correction.

⁽³⁾ The District has adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position and general fund balance as of July 1, 2022, to restate beginning net position and fund balance, resulting in a \$1,179,330 reduction in the fiscal year 2021-22 general fund ending balance.

⁽⁴⁾ The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during fiscal year 2023-24.

Source: Colton Joint Unified School District Audited Financial Statements for fiscal years 2020-21 through 2022-23.

The following table sets forth the general fund balance sheet of the District for fiscal years 2018-19 and 2019-20. The table on page A-28 sets forth the general fund balance sheet of the District for fiscal years 2020-21 through 2022-23.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Summary of General Fund Balance Sheet
Fiscal Years 2018-19 and 2019-20

	Fiscal Year 2018-19 <u>Audited Actuals</u>	Fiscal Year 2019-20 <u>Audited Actuals</u>
ASSETS		
Cash	\$70,210,995	\$49,834,884 ⁽¹⁾
Investments	132,859	⁽¹⁾
Accounts receivable	13,164,955	43,473,966
Due from other funds	2,574,871	3,031,354
Inventories	441,317	554,653
Prepaid expenditures	270,472	11,947
	<u>\$86,795,469</u>	<u>\$96,906,804</u>
Total Assets		
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$27,891,154	\$43,938,341
Due to other funds	3,258,595	7,887,967
Unearned revenue	31,469,849	295,548
	<u>31,469,849</u>	<u>52,121,856</u>
Total Liabilities		
Fund Balances		
Nonspendable	761,789	616,600
Restricted	9,466,116	5,276,978
Assigned	18,834,101	34,214,134
Unassigned	26,263,614	4,677,236
	<u>55,325,620</u>	<u>44,784,948</u>
Total Fund Balances		
Total Liabilities and Fund Balances	<u>\$86,795,469</u>	<u>\$96,906,804</u>

⁽¹⁾ Beginning in fiscal year 2020-21, the category changed to "Deposits and Investments."

Source: Colton Joint Unified School District Audited Financial Statements for fiscal years 2018-19 and 2019-20.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Summary of General Fund Balance Sheet
Fiscal Years 2020-21 through 2022-23

	Fiscal Year 2020-21 <u>Audited Actuals</u>	Fiscal Year 2021-22 <u>Audited Actuals</u>	Fiscal Year 2022-23 <u>Audited Actuals</u>
Assets			
Deposits and investments	\$106,921,708	\$122,043,453	\$172,157,017
Receivables	53,769,997	19,024,825	32,031,712
Due from other funds	2,551,659	4,702,288	6,485,256
Prepaid expenditures	96,357	1,303,873	97,148
Stores inventories	624,513	731,181	375,558
Lease receivables	-	798,383	322,225
Total assets	\$163,964,234	\$148,604,003	\$211,468,916
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$53,144,766	\$48,857,075	\$37,912,951
Due to other funds	461,255	4,898,768	4,039,039
Other current liabilities	28,615,000	-	-
Unearned revenue	4,302,062	3,806,256	12,093,919
Total liabilities	86,523,083	57,562,099	54,045,909
Deferred inflows of Resources Deferred inflows of resources related to leases	-	798,383	322,225
Fund Balances			
Nonspendable	795,870	2,110,054	547,706
Restricted	15,725,388	34,615,134	86,044,378
Committed	29,170,875	-	-
Assigned	22,826,918	30,973,604	42,467,098
Unassigned	8,922,100	22,544,729	28,041,600
Total fund balances	77,441,151	90,243,521	157,100,782
Total liabilities, deferred inflows of resources, and fund balances	\$163,964,234	\$148,604,003	\$211,468,916

Source: Colton Joint Unified School District Audited Financial Statements for fiscal years 2020-21 through 2022-23.

District Budget Process and County Review

Budget Process. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Bernardino County Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget

for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the Superintendent of Public Instruction (the "State Superintendent") may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

Interim Reporting. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the California Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then-current projections, may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county

superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the past five years, the District has not received a negative or qualified certification for an interim financial report.

County and State Response to School Districts Under Financial Distress. For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

District's Fiscal Year 2023-24 Budget and First Interim Report. The District's original adopted general fund budget for fiscal year 2023-24 (the "Fiscal Year 2023-24 Budget"), which was adopted by the Board of Trustees on June 29, 2023, is included in the table that follows. The Fiscal Year 2023-24 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2023-24 State budget. After analyzing the 2023-24 State Budget, District officials presented a 45-day budget updated to the Board of Education that identified certain funding adjustments resulting from the final 2023-24 State Budget, including a 14% reduction in the Learning Recovery Grant, amounting to a decrease of \$4.9 million in State revenue for the District. As the full original allocation was already received by the District during fiscal year 2022-23, the \$4.9 million will need to be returned to the State by the District. Consequently, the

District's Fiscal Year 2023-24 Budget will experience a decrease of \$4.9 million in the beginning fund balance. For more information on the 2023-24 State Budget, see “– State Funding of Education; State Budget Process – 2023-24 State Budget.” The District has incorporated such changes in the Fiscal Year 2023-24 First Interim Report. The changes from the Fiscal Year 2023-24 Budget to the Fiscal Year 2023-24 First Interim Report that are shown in the table that follows are primarily due to the funding adjustments resulting from the 2023-24 State Budget described above that were incorporated in the Fiscal Year 2023-24 First Interim Report and additional actual financial data available at the time of preparation of the Fiscal Year 2023-24 First Interim Report.

The Fiscal Year 2023-24 Budget does not contain historical facts but consist of forecasts and “forward-looking statements.” The achievement of certain results or other expectations contained in the Fiscal Year 2023-24 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2023-24 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The District revises its projections of revenues, expenditures, and ending fund balances contained in the Fiscal Year 2023-24 Budget as more financial data becomes available throughout the fiscal year. Accordingly, the Fiscal Year 2023-24 First Interim Report reflects actual financial data for the period ending October 31, 2023, and projections for the remainder of fiscal year 2023-24 based on such data. The Fiscal Year 2023-24 First Interim Report, which was approved by the Board of Education on December 14, 2023, is also included in the table that follows and described throughout this Appendix A.

The achievement of certain results or other expectations contained in the Fiscal Year 2023-24 First Interim Report involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2023-24 First Interim Report are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The table on the following page sets forth the District's original adopted general fund budgets for fiscal years 2021-22 through 2023-24, unaudited actuals for fiscal years 2021-22 and 2022-23, and the Fiscal Year 2023-24 First Interim Report.

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COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
General Fund Budgets for Fiscal Years 2021-22 through 2023-24,
Unaudited Actuals for Fiscal Years 2021-22 and 2022-23
and First Interim Report for Fiscal Year 2023-24⁽¹⁾

	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Unaudited Actuals	2023-24 Original Budget	2023-24 First Interim Report
REVENUES						
LCFF Sources	\$243,745,702.00	\$248,880,174.74	\$260,783,200.00	\$279,155,653.51	\$286,257,450.00	\$286,934,770.00
Federal Revenue	37,284,803.38	32,831,442.29	62,909,698.00	37,783,681.54	63,164,715.00	65,316,797.00
Other State Revenue	30,312,408.00	45,405,610.69	27,414,821.00	92,746,000.15	43,885,586.00	44,179,405.00
Other Local Revenue	10,085,584.43	12,304,363.55	13,016,438.00	20,074,825.17	18,434,815.00	18,590,871.00
Total Revenues	<u>321,428,497.81</u>	<u>339,421,591.27</u>	<u>364,124,157.00</u>	<u>429,760,160.37</u>	<u>411,742,566.00</u>	<u>415,021,843.00</u>
EXPENDITURES						
Certificated Salaries	119,839,868.00	125,522,254.35	124,110,036.00	138,936,420.73	145,662,238.00	143,379,668.00
Classified Salaries	44,651,719.00	43,803,155.51	49,752,891.00	52,143,380.96	57,851,064.00	57,349,865.00
Employee Benefits	84,911,581.00	85,814,017.75	94,941,161.00	90,592,048.25	97,795,652.00	98,536,844.00
Books and Supplies	33,354,928.90	23,920,337.58	73,310,144.00	22,267,276.88	47,408,150.00	43,142,128.00
Services, Other Operating Expenses	38,172,987.08	36,948,745.89	44,069,724.00	47,033,240.85	63,847,229.00	81,210,818.00
Capital Outlay	6,621,934.56	3,641,132.57	9,723,826.00	3,112,780.67	10,592,445.00	10,922,922.00
Other Outgo (excluding Transfers of Indirect Costs)	4,672,570.00	4,845,618.93	4,670,070.00	3,905,276.32	4,034,273.00	4,034,273.00
Transfers of Indirect Costs	(72,913.00)	(625,285.52)	(460,846.00)	(547,498.76)	(660,204.00)	(697,246.00)
Total Expenditures	<u>332,152,675.54</u>	<u>323,869,977.06</u>	<u>400,117,006.00</u>	<u>357,442,925.90</u>	<u>426,530,847.00</u>	<u>437,879,272.00</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,724,177.73)</u>	<u>15,551,614.21</u>	<u>(35,992,849.00)</u>	<u>72,317,234.47</u>	<u>(14,788,281.00)</u>	<u>(22,857,429.00)</u>
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers Out ⁽²⁾	(1,951,503.00)	(3,494,023.58)	(4,058,277.00)	(4,678,532.73)	(6,012,383.00)	(5,625,455.00)
Other Sources/Uses	-	1,568,871.37	-	-	-	-
Total, Other Financing Sources (Uses)	<u>(1,951,503.00)</u>	<u>(1,925,152.21)</u>	<u>(4,058,277.00)</u>	<u>(4,678,532.73)</u>	<u>(6,012,383.00)</u>	<u>(5,625,455.00)</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>(12,675,680.73)</u>	<u>13,626,462.00</u>	<u>(40,051,126.00)</u>	<u>67,638,701.74</u>	<u>(20,800,664.00)</u>	<u>(28,482,884.00)</u>
BEGINNING BALANCE, as of July 1	45,661,990.19	76,616,059.24	83,031,606.24	90,243,521.24	147,059,252.03	157,882,222.98
Other Restatements	-	1,000.00	-	-	-	-
Adjusted Beginning Balance	<u>45,661,990.19</u>	<u>76,617,059.24</u>	<u>83,031,606.24</u>	<u>90,243,521.24</u>	<u>147,059,252.03</u>	<u>157,882,222.98</u>
ENDING BALANCE	<u>\$32,986,309.46</u>	<u>\$90,243,521.24</u>	<u>\$42,980,480.24</u>	<u>\$157,882,222.98</u>	<u>\$126,258,588.03</u>	<u>\$129,399,338.98</u>

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
General Fund Budgets for Fiscal Years 2021-22 through 2023-24,
Unaudited Actuals for Fiscal Years 2021-22 and 2022-23
and First Interim Report for Fiscal Year 2023-24⁽¹⁾

(Continued)

FUND BALANCE

Nonspendable	\$175,000.00	\$2,110,053.82	\$175,000.00	\$1,337,529.72	\$1,075,000.00	-
Restricted	8,130,729.72	34,615,134.34	2,567,085.46	86,044,377.93	71,053,469.83	\$71,681,209.93
Committed	2,600,000.00	-	-	-	10,875,795.20	-
Assigned	12,057,380.99	30,973,603.60	28,113,094.78	42,458,715.16	28,782,777.00	(548,656.00)
Reserved for Economic Uncertainties	10,023,200.00	9,821,000.00	12,125,300.00	10,863,700.00	12,976,300.00	-
Unassigned/Unappropriated	(1.25)	12,723,729.48	-	17,177,900.17	1,495,246.00	58,266,785.05
	<u>\$32,986,309.46</u>	<u>\$90,243,521.24</u>	<u>\$42,980,480.24</u>	<u>\$157,882,222.98</u>	<u>\$126,258,588.03</u>	<u>\$129,399,338.98</u>

⁽¹⁾ Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 54, the District's audited financial statements include the financial activity of the deferred maintenance fund (fund 14) with the District's general fund, but the District's unaudited actuals, estimated actuals, adopted budgets, and interim reports reflect only the unrestricted and restricted general fund.

⁽²⁾ Inter-fund transfers out in fiscal years 2021-22, 2022-23 and 2023-24 reflect transfers to the child development and self-insurance funds from the general fund.

Source: Colton Joint Unified School District original adopted general fund budgets for fiscal years 2021-22 through 2023-24; unaudited actuals for fiscal years 2021-22 and 2022-23; and Fiscal Year 2023-24 First Interim Report.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District’s long-term obligations for the fiscal year ended June 30, 2023, consisted of the following:

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

⁽¹⁾ Does not reflect the issuance of the Series F Bonds.

Source: Colton Joint Unified School District Audited Financial Statements for fiscal year 2022-23.

General Obligation Bonds. Prior to the issuance of the Series F Bonds, the District has outstanding nine series of general obligation bonds, each of which is secured by *ad valorem* property taxes levied upon all property subject to taxation by the District.

See “THE SERIES F BONDS – Outstanding Bonds” and “– Aggregate Debt Service” in the front portion of the Official Statement for more information about such outstanding bonds. See also Note 10 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023.”

At this time, the District is considering placing a new bond measure on the November 5, 2024, general election ballot.

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

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

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

Source: Colton Joint Unified School District Audited Financial Statements for fiscal year 2022-23.

Subscriptions-Based Information Technology Arrangements (“SBITAs”). The District entered into SBITAs for the use of instructional, data management and student information software. At June 30, 2023, the District has recognized total right-to-use subscription IT assets of \$1,474,253 and total SBITA

liabilities of \$1,382,331 related to these agreements. During the fiscal year, the District recorded \$1,187,319 in amortization expense. The District is required to make annual principal and interest payments through July 2024. The subscriptions have an interest rate of 4.0%.

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

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

Source: Colton Joint Unified School District Audited Financial Statements for fiscal year 2022-23.

Financed Purchase Agreement. On December 6, 2018, the Colton Joint Unified School District Facilities Corporation (the “Corporation”), pursuant to a financed purchase agreement (the “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 the Agreement, the District’s payments to the Corporation are as follows:

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

Source: Colton Joint Unified School District Audited Financial Statements for fiscal year 2022-23.

Supplemental Early Retirement Plan. 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 SERP are as follows:

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

Source: Colton Joint Unified School District Audited Financial Statements for fiscal year 2022-23.

Claims Liability. Liabilities associated with workers’ compensation claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers’

compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2023, amounted to \$5,220,677, using a discount factor of 1.00%.

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

Tax and Revenue Anticipation Notes. The District did not issue tax and revenue anticipation notes (“TRANS”) or borrow funds to supplement the District’s cash flow in fiscal years 2021-22 and 2022-23. The District does not currently plan to issue TRANS in fiscal year 2023-24. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Non-Obligatory Debt. Non-obligatory debt issuances by the community facilities districts formed by the District, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, are payable from special taxes levied on property within such community facilities districts according to a methodology approved by the voters within the applicable community facilities 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 from funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of \$8,210,000 as of June 30, 2023, does not represent debt of the District and, as such, does not appear in the District’s financial statements.

Other Post-Employment Benefits (OPEBs)

In addition to the retirement plan benefits with California State Teachers’ Retirement System (“CalSTRS”) and California Public Employees’ Retirement System (“CalPERS”), the District provides other post-retirement healthcare benefits (“OPEB”) under two different plans: (1) the District’s single-employer defined benefit OPEB plan (the “District Plan”) and (2) the cost-sharing multiple-employer OPEB plan administered by CalSTRS through the Teachers’ Health Benefit Fund (the “MPP Plan”). For fiscal year ended June 30, 2023, the District reported the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan and the MPP Plan as follows:

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

Source: Colton Joint Unified School District Audited Financial Statements for fiscal year 2022-23.

District Plan. The Board of Education administers the District Plan. The District Plan is a single-employer defined OPEB plan that provides post-employment medical coverage (including vision and dental coverage) other than pensions (OPEB) to employees who meet certain criteria. All active employees who retire directly from the District and meet the eligibility criteria may participate. At June 30, 2021, the valuation date, the District Plan membership consisted of 220 inactive employees or beneficiaries currently receiving benefit payments and 1,959 active employees.

The District provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided by a third-party insurer and the full cost of benefits is covered by the District Plan. The Board of Education has the authority to establish and amend the benefit terms as contained within the

negotiated labor agreements. The postretirement health plans and the District's obligation vary by employee group.

Certificated employees become eligible to retire and receive monthly contributions from the District upon attainment of age 55 and 15 years of covered CalSTRS service, or by a qualifying disability retirement status. Benefits are paid for five years or until age 65, whichever comes first. Employees who were age 50 or older on July 1, 2007, shall be eligible up to 10 years of benefits. Part-time employees are eligible for pro-rate benefits. Classified employees become eligible to retire and receive monthly contributions from the District upon attainment of age 50 and 15 years of covered CalPERS service, or by a qualifying disability retirement status. Benefits are paid for 10 years, or until age 65, or until the early retiree reaches Medicare's minimum age. Part-time employees are eligible for pro-rated benefits.

The benefit payment requirements of the District Plan members and the District are established and may be amended by the District, the Association of Colton Educators (ACE), and 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. No assets are accumulated in a trust. For the measure period of June 30, 2022, the District paid \$4,106,800 in benefits.

DFA, LLC has prepared an actuarial valuation for the District Plan (the "Actuarial Report"). The total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021, using actuarial assumptions and other inputs, applied to all periods including measurement. The Actuarial Report includes various assumptions; including the following: inflation of 2.75%, salary increases of 3.00% per year, healthcare cost trend rates of 5.75% in 2022, 5.50% in 2023, 5.20% for 2024-2069 and 4.00% for 2070 and later years, and a discount rate of 3.69%.

The following table sets forth the changes in the total OPEB liability for fiscal year 2021-22 as reflected in the Actuarial Report:

Total OPEB Liability	
Service cost	\$5,380,177
Interest	1,563,347
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes in assumptions or other inputs	(9,167,514)
Benefit payments ⁽¹⁾	(4,106,800)
Net change in total OPEB liability	(6,330,790)
Total OPEB liability – July 30, 2021	\$78,087,775
Total OPEB liability – July 30, 2022	\$71,756,985

⁽¹⁾ Includes \$3,076,024 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy of \$1,030,776.

Source: DFA, LLC GASB 75 actuarial valuation as of July 1, 2021, together with Supplemental Schedules, dated July 7, 2023.

MPP Plan. The MPP Plan is a cost-sharing multiple-employer other postemployment plan (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), and CalSTRS administers the MPP Plan through the Teachers' Health Benefit Fund ("THBF"). A full description of the MPP Plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>. The information

referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

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

At June 30, 2023, the District reported a liability of \$1,017,113 for its proportionate share of the net OPEB liability for the MPP Plan. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District’s proportion of the net OPEB liability as based on a projection of the District’s long-term share of contributions to the net OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2022, and June 30, 2021, respectively, was 0.3088% and 0.3217%, resulting in a net decrease in the proportionate share of 0.0129%. For fiscal year 2022-23, the District recognized OPEB expense of \$(266,207).

For more information regarding the District’s OPEB obligations and liabilities for fiscal year 2022-23, see Note 12 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023.”

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“Statement No. 75”). OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long-term care benefits. The objective of Statement No. 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement No. 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement No. 75 replaces GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement No. 75 in its financial statements beginning with fiscal year 2017-18.

Employment

General. As of June 30, 2023, the District employed approximately 2,090 full-time equivalent (“FTE”) employees, including approximately 1,051 FTE certificated (credentialed teaching) staff, approximately 894 FTE classified (non-teaching) staff, and approximately 145 FTE management personnel. For fiscal year 2022-23, the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District were approximately \$138.94 million and \$52.14 million, respectively. As of the Fiscal Year 2023-24 First Interim Report, the District projects that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately \$143.38 million and \$57.35 million, respectively, in fiscal year 2023-24. These employees, except unrepresented management employees, are represented by Association of Colton Educators/California Teachers Association/National Education Association (“ACE/CTA/NEA”) and California School Employees Association, Chapter 569 (“CSEA”) as described in more detail below.

ACE/CTA/NEA. ACE/CTA/NEA represents approximately 1,051 FTE certificated (credentialed teaching) employees in the District. The District and ACE/CTA/NEA entered into a multi-year contract effective July 1, 2021, through June 30, 2024, and provides for the ability to reopen and renegotiate certain terms of the contract each year. Reopener negotiations between the District and ACE/CTA/NEA for fiscal year 2023-24 on the topics of salary and benefits are ongoing.

CSEA. CSEA represents approximately 894 FTE classified (non-teaching) employees in the District. The District and CSEA entered into a multi-year contract effective July 1, 2022, through June 30, 2025, that expires on July 1, 2025, and provides for the ability to reopen and negotiate certain terms of the contract each year. Reopener negotiations between the District and CSEA for fiscal year 2023-24 on the topics of salary and benefits are ongoing.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Assembly Bill 1469, signed into law by former Governor Brown as part of the fiscal year 2014-15 State budget, increased employee, employer and State contributions to CalSTRS as part of a plan to eliminate by June 30, 2046, CalSTRS’ unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations and subject to certain limitations.

The State Teachers’ Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers’ Retirement Board may also adjust the State’s contribution rate by a maximum of 0.50% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046,

CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and contribution rates or the amount the District will be required to pay for pension related costs in future fiscal years.

The employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate as a result of the State redirecting certain State supplemental pension payments to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. For fiscal year 2022-23, the employer contribution rate was approximately 19.10% of covered payroll and is approximately 18.48% for fiscal year 2023-24. The employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the California Education Code. The State's total contribution was increased from approximately 6.83% of payroll in fiscal year 2017-18 to approximately 10.83% of payroll in fiscal year 2021-22. The State's contribution rate was approximately 10.83% of payroll for fiscal year 2022-23 and is approximately 10.33% for fiscal year 2023-24. The State's contribution includes an annual payment of 2.50% of payroll pursuant to a supplemental inflation protection program. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012, to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 10.25% for fiscal years 2016-17 through 2022-23 and remains at 10.25% for fiscal year 2023-24. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013, to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was approximately 9.21% for fiscal years 2016-17 and 2017-18, approximately 10.21% for fiscal years 2018-19 through 2022-23 and remains at approximately 10.21% for fiscal year 2023-24.

The following table sets forth the District's employer contributions from all applicable funds of the District to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2019-20 through 2022-23, and the projected contributions for fiscal year 2023-24.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Contributions to CalSTRS for Fiscal Years 2019-20 through 2023-24

Fiscal Year	District Contribution ⁽¹⁾	State On-Behalf Contribution
2019-20	\$19,820,665	\$14,467,049
2020-21	18,704,496	11,929,881
2021-22	19,998,642	13,765,738
2022-23	24,503,261	11,484,920
2023-24 ⁽²⁾	27,185,803	12,018,406

⁽¹⁾ Decreases in contributions amounts for fiscal years 2020-21 and 2021-22 are attributed to a decrease in the employer contribution rate (see "- CalSTRS" above).

⁽²⁾ Figures are projections based on Fiscal Year 2023-24 First Interim Report.

Source: Colton Joint Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2019-20 through 2022-23 were equal to 100% of the required contributions for each year.

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2022 (the "2022 CalSTRS Actuarial Valuation") showed an estimated unfunded actuarial liability of \$88.55 billion, a decrease of approximately \$1.17 billion from the June 30, 2021, valuation. Such estimated unfunded actuarial liability was projected to increase in the June 30, 2021, valuation, which projected an unfunded actuarial liability of \$89.80 billion as of June 30, 2022. The actual unfunded actuarial liability as of June 30, 2022, represents a net actuarial gain of approximately \$1.25 billion. Such net actuarial gain is due

primarily to member salary increases being more than assumed and market value returns (estimated at negative 2.40%) being less than assumed (7.00%). The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2022, and June 30, 2021, based on the actuarial assumptions, were approximately 74.40% and 73.00%, respectively. According to the 2022 CalSTRS Actuarial Valuation, the funded ratio increased by 1.40% during the past year. As described in the 2022 CalSTRS Actuarial Valuation, the increase in the funded ratio is primarily due to the recognition of deferred investment gains from prior fiscal years that were used to offset the reported negative 2.40% return on investments on the market value of assets for fiscal year 2021-22, which is CalSTRS' first negative return on investments since fiscal year 2008-09. Other factors contributing to such increase include the additional State contributions made in the prior fiscal years and contributions to pay down the unfunded actuarial liability under the State Teachers' Retirement Board's valuation policy. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not increase in the future, subject to the limitations of AB 1469.

The following are certain of the actuarial assumptions set forth in the 2022 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2022 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013, are subject to the provisions of PEPRA (as defined herein). See "– Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

See also Note 15 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023," for a discussion of the District's proportionate share of the CalSTRS net pension liability of \$142,957,317.

CalPERS. All qualifying classified employees of K-14 school districts in the State are members in CalPERS. All K-14 school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. K-14 school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. K-14 school districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in K-14 school district contributions. The District cannot make any

predictions as to the effect of State, national or international events on investment earnings and K-14 school district contributions. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2021-22, which increased to 8.00% in fiscal year 2022-23 and remains at 8.00% for fiscal year 2023-24. K-14 school districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.06% of eligible salary expenditures for fiscal year 2018-19 and originally 20.73% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.72% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.91%, respectively. The actuarially determined rate for employer contributions was 25.37% for fiscal year 2022-23 and is 26.68% for fiscal year 2023-24.

The following table sets forth the District's total employer contributions from all applicable funds of the District to CalPERS for fiscal years 2019-20 through 2022-23, and the projected contribution for fiscal year 2023-24.

COLTON JOINT UNIFIED SCHOOL DISTRICT
(San Bernardino and Riverside Counties, California)
Contributions to CalPERS for Fiscal Years 2019-20 through 2023-24

Fiscal Year	District Contribution
2019-20	\$8,570,719
2020-21	9,179,588
2021-22	10,887,385
2022-23	13,674,283
2023-24 ⁽¹⁾	14,287,240

⁽¹⁾ Figures are projections based on Fiscal Year 2023-24 First Interim Report.
Source: Colton Joint Unified School District.

The District's total employer contributions to CalPERS for fiscal years 2019-20 through 2022-23 were equal to 100% of the required contributions for each year.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2022 (the "2022 CalPERS Schools Pool Actuarial Valuation"), was released in September 2023, and such valuation reported an actuarial accrued liability of approximately \$116.98 billion with the market value of assets at approximately \$79.39 billion, and a funded status of approximately 67.90%. From June 30, 2021, to June 30, 2022, the funded status of the CalPERS Schools Pool decreased by approximately 10.40%, and the unfunded accrued liability increased by approximately \$13.61 billion, largely due to the difference between the expected and actual rate of return on investments.

CalPERS reported a negative 6.10% net return on investments for fiscal year 2021-22, which is CalPERS' first negative return on investments since fiscal year 2008-09. The negative 6.10% net return on investments was less than the assumed annual rate of return on investments of 6.80%. Such negative return generated an actuarial investment loss of approximately \$12.40 billion, which will be amortized over 20 years with a five-year phase in, increasing the component of the expected employer contribution rate related to the unfunded liability contribution in fiscal year 2023-24 by 1.69% of payroll. The 2022 CalPERS Schools Pool Actuarial Valuation reports that the employer contribution rates for fiscal years 2024-25, 2025-26, 2026-27, 2027-28 and 2028-29 are projected to be 27.80%, 28.50%, 28.90%, 30.30% and 30.10%, respectively. Such projections assume that all actuarial assumptions will be realized, including net

investment returns in such fiscal years of 6.80%, and that no further changes to assumptions, contributions, benefits or funding will occur during such fiscal years. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases reflected in the 2022 CalPERS Schools Pool Actuarial Valuation. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future.

The 2022 CalPERS Schools Pool Actuarial Valuation as summarized assumes, among other things, 2.30% price inflation, 2.80% wage inflation and payroll growth of 2.80% compounded annually. The 2022 CalPERS Schools Pool Actuarial Valuation as summarized reflects a discount rate of 6.80% compounded annually (net of administrative expenses) as of June 30, 2022. The CalPERS Board of Administration adopted new demographic assumptions on November 17, 2021, including a reduction in the discount rate from 7.00% as of June 30, 2020 to 6.80% as of June 30, 2021, a reduction in the inflation assumption from 2.50% as of June 30, 2020 to 2.30% as of June 30, 2021, and an increase in payroll growth from 2.75% as of June 30, 2020 to 2.80% as of June 30, 2021. Such assumption changes result in increases in both the normal cost and unfunded liabilities contributions to be paid in the future. The actuarial funding method used in the 2022 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method."

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

See also Note 15 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023," for a discussion of the District's proportionate share of the CalPERS net pension liability of \$104,833,639.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 15 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$160,200 for 2023, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

Insurance, Risk Pooling and Joint Powers Agreements

The District participates in four joint powers authorities (“JPAs”) to provide self-insurance or transportation programs as follows:

Unified Schools Insurance Program (“USIP”). USIP provides property and liability coverage.

Schools Excess Liability Fund (“SELF”). SELF provides health benefit insurance coverage.

California Schools Risk Management (“CSRM”). CSRM provides excess workers’ compensation.

Southern California School Employee Benefits Association (“SCSEBA”). SCSEBA health insurance coverage.

California’s Valued Trust (“CVT”). CVT provides health insurance coverage.

The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. These JPAs have budgeting and financial reporting requirements independent of member units, such as the District, and their financial statements are not presented in the District’s financial statements; however, fund transactions between the JPAs and the District are included in the District’s financial statements. Audited financial statements are available from the respective entities.

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

See Note 17 to the District’s audited financial statements in APPENDIX B— “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023” for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, voters of the State approved Proposition 13 (“Proposition 13”), which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* property tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* property taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the California Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

The tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (“Article XIII C” and “Article XIII D,” respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, voters of the State approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995, in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the California Supreme Court’s decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). The Accountability Act changed State funding of public education below the university level, and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, “K-14 districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the Governor’s Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State’s budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State’s ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the appropriations limit for K-14 districts and the K-14 districts appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, voters of the State approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the California Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the “change in the cost of living” by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State’s spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the “excess” tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts’ minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts’ base expenditures for calculating their entitlement for State aid in the following year and would not increase the State’s appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain “qualified capital outlay projects” and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the appropriations limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the “first test”) or (b) the amount appropriated in the prior year adjusted for changes in the cost of living

(measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a “credit” to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court’s decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State’s income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative (“Proposition 55”), approved by voters of the State on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process.”

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the State Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by voters of the State in the November 2014 election.

State Rainy Day Fund. The Proposition 2 constitutional amendments related to the State Rainy Day Fund (i) require deposits into the State Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the State Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year’s deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multi-year budget forecast; and (vi) create a Proposition 98 reserve (the “Proposition 98 Rainy Day Fund”) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Proposition 98 Rainy Day Fund unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 (“SB 858”) became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Proposition 98 Rainy Day Fund, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the California Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the California Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

SB 751. Senate Bill 751 (“SB 751”), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of

moneys in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The District, which has an A.D.A. of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. For more information on the District's reserves, current projections with respect to such reserves, and related policies, see "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *School District Reserves*."

The Series F Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal and accreted value of and interest on the Series F Bonds as and when due.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenue.

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Financial Statements
June 30, 2023

Colton Joint Unified School District

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Adoption of New Accounting Standard

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

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

Rancho Cucamonga, California
January 19, 2024

Colton Joint Unified School District

Frank Miranda, Ed.D., Superintendent

Gregory Fromm, Assistant Superintendent, Business Services Division



Commitment to Equal Opportunity

BOARD OF EDUCATION

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

Mr. Frank A. Ibarra, *Vice-President*

Mr. Dan Flores, *Clerk*

Ms. Bertha Flores

Mr. Israel Fuentes

Ms. Patt Haro

Ms. Berenice Sandoval

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

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

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

THE DISTRICT'S GOVERNMENTAL ACTIVITIES

Net Position

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

Table 1

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

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

Changes in Net Position

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

Table 2

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

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

Governmental Activities

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

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

Table 3

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

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

THE DISTRICT'S FUNDS

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

Table 4

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

The primary reasons for these increases are:

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

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

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

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

Table 5

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

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

Long-Term Liabilities other than OPEB and Pension

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

Table 6

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

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

OPEB and Net Pension Liabilities

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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

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

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

Colton Joint Unified School District

Balance Sheet – Governmental Funds

June 30, 2023

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

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

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

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

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

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

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

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

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

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

Net right-to-use subscription IT assets		2,223,307
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.	(2,110,517)
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An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.	13,470,351
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Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

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

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

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

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

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

Long-term liabilities at year-end consist of

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

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

	<u>(41,102,992)</u>
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Total long-term liabilities	<u>(249,684,593)</u>
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Total net position - governmental activities	<u><u>\$ 142,633,180</u></u>
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Colton Joint Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2023

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

Colton Joint Unified School District

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

Total Net Change in Fund Balances - Governmental Funds		\$ 72,107,091
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which depreciation and amortization expense exceed capital outlay in the period.		
Depreciation and amortization expense	\$ (15,718,314)	
Capital outlay	<u>13,196,813</u>	
Net expense adjustment		(2,521,501)
Right-to-use subscription IT assets acquired this year were financed with Subscription-based IT arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(822,582)
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.		1,305,977
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.		(193,842)
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.		12,787,049

Colton Joint Unified School District

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

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

\$ (796,491)

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization

643,920

Deferred charge on refunding amortization

(819,816)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds

7,590,000

Leases

881,020

Subscription-based IT arrangements

1,279,311

Financed purchase agreement

277,563

Payment of rebate liabilities are an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(4,447,945)

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

(2,754,866)

Change in net position of governmental activities

\$ 84,514,888

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

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

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

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

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

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

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

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

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

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

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

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

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

Component Units

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

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

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

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

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

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

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

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

Interfund Balances

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

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

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

Subscriptions

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

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

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

Operating Revenues and Expenses

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

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 96

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

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

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

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

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

Policies and Practices

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

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

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

General Authorizations

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

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

Interest Rate Risk

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

Specific Identification

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

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

Credit Risk

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

Custodial Credit Risk - Deposits

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

Note 3 - Fair Value Measurements

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

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

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

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

Colton Joint Unified School District

Notes to Financial Statements

June 30, 2023

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

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

Note 4 - Receivables

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

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

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

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

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

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

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

Note 6 - Lease Receivables

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

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

Office Space (1)

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

Office Space (2)

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

Office Space (3)

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

Office Space (4)

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

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

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

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

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

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

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

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

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

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

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

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

Operating Transfers

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

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

Note 8 - Accounts Payable

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

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

Note 9 - Unearned Revenue

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

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

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

Summary

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

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

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

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

2001 General Obligation Bonds, Series B

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

2001 General Obligation Bonds, Series C

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

2008 General Obligation Bonds, Series B

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

2008 General Obligation Bonds, Series C

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

2012 General Obligation Refunding Bonds

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

2013 General Obligation Refunding Bonds

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

2016 General Obligation Refunding Bonds

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

2008 General Obligation Bonds, Series D

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

2016 General Obligation Refunding Bonds, Series B

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

2008 General Obligation Bonds, Series E

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

2020 General Obligation Refunding Bonds

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

Debt Service Requirements to Maturity

The bonds mature through 2047 as follows:

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

Leases

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 2,985,261</u>	<u>\$ 241,146</u>	<u>\$ 3,226,407</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

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

Colton Joint Unified School District

Notes to Financial Statements

June 30, 2023

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

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

Financed Purchase Agreement

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

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

Supplemental Early Retirement Plan (SERP)

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

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

Claims Liability

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

Compensated Absences

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

Note 11 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of \$8,210,000 as of June 30, 2023, does not represent debt of the District and, as such, does not appear in the financial statements.

Note 12 - Net Other Postemployment Benefit (OPEB) Liability

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

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

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

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

Benefits Provided

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

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

Total OPEB Liability of the District

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

Actuarial Assumptions

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

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

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

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

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

Changes in the Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

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

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

Actuarial Methods and Assumptions

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

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

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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

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

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

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

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

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

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

Note 13 - Fund Balances

Fund balances are composed of the following elements:

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

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

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

Workers' Compensation

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

Employee Medical Benefits

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

Claims Liability

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

Unpaid Claims Liability

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

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

Note 15 - Employee Retirement Systems

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

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

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

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
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, 2023, are presented above and the District's total contributions were \$24,503,261.

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

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

Total net pension liability, including State share

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$12,322,633. In addition, the District recognized pension expense and revenue of \$5,773,885 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 24,503,261	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,320,671	9,692,207
Differences between projected and actual earnings on pension plan investments	-	6,990,889
Differences between expected and actual experience in the measurement of the total pension liability	117,269	10,718,815
Changes of assumptions	7,089,642	-
Total	<u>\$ 35,030,843</u>	<u>\$ 27,401,911</u>

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

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

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

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 242,794,547
Current discount rate (7.10%)	142,957,317
1% increase (8.10%)	60,062,400

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$13,067,862. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,674,283	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	985,453	1,180,912
Differences between projected and actual earnings on pension plan investments	12,378,002	-
Differences between expected and actual experience in the measurement of the total pension liability	473,787	2,608,395
Changes of assumptions	7,754,997	-
Total	<u>\$ 35,266,522</u>	<u>\$ 3,789,307</u>

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

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

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

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 151,437,500
Current discount rate (6.90%)	104,833,639
1% increase (7.90%)	66,317,261

Alternative Retirement Program

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

On Behalf Payments

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

Note 16 - Commitments and Contingencies**Grants**

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

Litigation

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

Construction Commitments

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

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

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

The District is a member of the Unified Schools Insurance Program (USIP), Schools Excess Liability Fund (SELF), California Schools Risk Management (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, 2023, the District made payments of \$1,976,611 to USIP, \$356,794 to SELF, \$170,510 to CSRM, \$36,642,288 to SCSEBA, and \$2,524,002 to CVT for property and liability coverage, excess workers' compensation insurance, and health benefits coverage.

Note 18 - Adoption of New Accounting Standard

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

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



Required Supplementary Information
June 30, 2023

Colton Joint Unified School District

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

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

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

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

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

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

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

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

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2023

Colton Joint Unified School District

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

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

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

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

[1] Pass-Through Entity Number not available.

[1] Direct funded program

ORGANIZATION

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

GOVERNING BOARD

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

ADMINISTRATION

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

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

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

Colton Joint Unified School District

Schedule of Instructional Time

Year Ended June 30, 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Colton Joint Unified School District

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

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

Colton Joint Unified School District

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

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

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

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

SEFA Reconciliation

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

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

[1] Federal Financial Assistance Listing not available

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



Independent Auditor's Reports
June 30, 2023

Colton Joint Unified School District



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

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

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

Adoption of New Accounting Standard

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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

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

Rancho Cucamonga, California
January 19, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

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

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

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

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

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



Rancho Cucamonga, California
January 19, 2024



Independent Auditor's Report on State Compliance

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

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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



Rancho Cucamonga, California
January 19, 2024



Schedule of Findings and Questioned Costs
June 30, 2023

Colton Joint Unified School District

Colton Joint Unified School District

Summary of Auditor's Results

Year Ended June 30, 2023

Financial Statements

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

Federal Awards

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

Identification of major programs

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

State Compliance

Internal control over state compliance programs

Material weaknesses identified

No

Significant deficiencies identified not

considered to be material weaknesses

None reported

Type of auditor's report issued on compliance for programs

Unmodified

None reported.

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

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

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

Federal Programs Affected

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

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Repeat Finding

No.

Recommendation

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

Corrective Action Plan and Views of Responsible Officials

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

None reported.

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

Financial Statements Findings

2022-001 3000

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

2022-002 30000

Criteria or Specific Requirements

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

Condition

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

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

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

2022-003

20000

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

Federal Awards Findings**2022-004 50000 – Federal Compliance****Federal Program Affected**

Title: Child Nutrition Cluster

CFDA: 10.553, 10.555, 10.556

Pass-Through Agency: California Department of Education

Federal Agency: U.S. Department of Agriculture (USDA)

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Repeat Finding

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

Recommendation

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

Current Status

Implemented.



Management
Colton Joint Unified School District
Colton, California

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

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

ASSOCIATED STUDENT BODY (ASB)

Grand Terrace High School

Observation

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

Recommendation

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

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

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

Rancho Cucamonga, California
January 19, 2024

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Series F Bonds, Stradling Yocca Carlson & Rauth LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Series F Bonds in substantially the following form:

[Closing Date]

Board of Education
Colton Joint Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$38,340,823.50 Colton Joint Unified School District (San Bernardino and Riverside Counties, California) Election of 2008 General Obligation Bonds, Series F (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a greater than fifty-five percent vote of the qualified electors of the Colton Joint Unified District (the “District”) voting at an election held on November 4, 2008, and a resolution of the Board of Trustees of the District adopted on January 18, 2024 (the “Resolution”).

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original

issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Colton Joint Unified School District (the “District”) in connection with the issuance of \$38,340,823.50 aggregate initial principal amount of Colton Joint Unified School District (San Bernardino and Riverside Counties, California) Election of 2008 General Obligation Bonds, Series F (the “Series F Bonds”). The Series F Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on January 18, 2024 (the “Resolution”). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Series F Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series F Bonds (including persons holding Series F Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and 5(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Series F Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) hereof.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated February 8, 2024 (including all exhibits or appendices thereto), relating to the offer and sale of Series F Bonds.

“Participating Underwriter” shall mean the original underwriter(s) of the Series F Bonds required to comply with the Rule in connection with offering of the Series F Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the District’s fiscal year (which due date shall be March 1 of each year, so long as the District’s fiscal year ends on June 30), commencing with the report for the 2023-24 Fiscal Year (which is due not later than March 1, 2025), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Series F Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then-current fiscal year.

(ii) The District’s average daily attendance for the last completed fiscal year.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District for the then-current fiscal year, if and to the extent provided to the District by the San Bernardino County and the County of Riverside.

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District for the then-current fiscal year, if and to the extent provided to the District by the San Bernardino County and the County of Riverside.

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District for the then-current fiscal year, if and to the extent provided to the District by the San Bernardino County and the County of Riverside.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series F Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the District; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which

a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series F Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series F Bonds or other material events affecting the tax status of the Series F Bonds;

(ii) modifications to rights of Series F Bond Holders;

(iii) Series F Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Series F Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Series F Bond holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series F Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange

Commission in Release No. 34-83885, dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series F Bonds. If such termination occurs prior to the final maturity of the Series F Bonds, the District shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Series F Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series F Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series F Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth

in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series F Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for San Bernardino County or in U.S. District Court in or nearest to San Bernardino County. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series F Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series F Bonds, and shall create no rights in any other person or entity.

Dated: February 27, 2024

**COLTON JOINT UNIFIED SCHOOL
DISTRICT**

By: _____

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: **COLTON JOINT UNIFIED SCHOOL DISTRICT**

Name of Issue: Colton Joint Unified School District (San Bernardino and Riverside
Counties, California) Election of 2008 General Obligation Bonds, Series F

Date of Issuance: February 27, 2024

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Series F Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated February 27, 2024. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

COLTON JOINT UNIFIED SCHOOL DISTRICT

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APPENDIX E

SAN BERNARDINO COUNTY TREASURER'S INVESTMENT POLICY AND INVESTMENT POOL SUMMARY

The following information has been supplied by the San Bernardino County Office of the Auditor-Controller/Treasurer/Tax Collector (the "San Bernardino County Treasurer"). Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information. Further information may be obtained directly from the San Bernardino County Auditor-Controller/Treasurer/Tax Collector, 268 West Hospitality Lane, Fourth Floor, San Bernardino, California 92415.

Neither the District nor the Underwriter have made an independent investigation of the investments in the San Bernardino County Investment Pool (the "Investment Pool") or an assessment of the current Statement of Investment Policy (the "Investment Policy"). The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, San Bernardino County, with the consent of the Treasury Oversight Committee and the San Bernardino County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein.

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Treasurer's Investment Policy

June 27

2023

**AUDITOR-CONTROLLER/TREASURER/TAX
COLLECTOR
SAN BERNARDINO COUNTY**

Annual
Statement of
Investment
Policy



OFFICE OF THE
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
SAN BERNARDINO COUNTY
TREASURER'S STATEMENT OF INVESTMENT POLICY
As approved by the Board of Supervisors on June 27, 2023

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1.0 INTRODUCTION:

San Bernardino County (County) has a fiduciary responsibility to maximize the productive use of its liquid assets entrusted to its care and to manage those public funds wisely and prudently. The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. Related activities which comprise good cash management include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and short-term borrowing program which coordinates working capital requirements and investment opportunity. It is the policy of the County to invest public funds in a manner that will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE:

San Bernardino County's Investment Policy Statement (IPS) has been prepared in accordance with California State law. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasury Pool and made on behalf of the County and member agencies of the Pool, with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are made with the understanding that the Treasurer holds a public trust with the citizens of the County, which shall not be compromised.

3.0 FIDUCIARY RESPONSIBILITY:

The California Government Code, Section [27000.3](#) declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard.

This standard requires that *"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law."* This standard shall be applied in the context of managing the overall portfolio.

4.0 PORTFOLIO OBJECTIVES:

It is the policy of the Treasurer to invest public funds in a manner that will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. Accordingly, the County investment pool will be guided by the following principles, in order of importance:

- The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
- The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements.
- The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

5.0 DELEGATION OF AUTHORITY:

The Treasurer's authority for making investments is delegated by the Board of Supervisors in accordance with the California Government Code. Statutory authority for the investment and safekeeping functions are found in Sections [53600](#) et seq. and [53630](#) et seq. of the California Government Code. The Treasurer has authorized funds covered under this IPS to be invested by the Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) when applicable.

6.0 STAFF AUTHORIZED TO MAKE INVESTMENTS:

Only the Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) may make investments and jointly order (with the settlement staff) the receipt and delivery of investment securities among custodial security clearance accounts. Authority granted to contracted consultant(s) shall be defined in their contract(s).

7.0 ETHICS & CONFLICTS OF INTEREST:

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, and Investment Analyst(s) are required to file annually the applicable financial disclosure statements as mandated by the Fair Political Practices Commission (FPPC) and/or by County ordinance. In addition, the Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, and Investment Analyst(s), are required to sign and abide by an Ethics Policy instituted by the Auditor-Controller/Treasurer/Tax Collector.

8.0 AUTHORIZED INVESTMENTS:

Investments shall be restricted to those authorized in the California Government Code and as further restricted by this IPS, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I, which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stated for any type of security as detailed above, the maximum allowable limit is determined by the portfolio size at the market close of the regular business day prior to the security purchase date. Maximum limits are applicable at the time of security purchase only unless otherwise noted or defined in Schedule I.

9.0 DIVERSIFICATION:

County Treasurer staff shall diversify its investments by security type, issuer and maturity as specified in Schedule I. The purpose of this diversification is to reduce portfolio risk by avoiding an overconcentration in any particular maturity sector, asset class or specific issuer. As Federal Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

10.0 MATURITY PARAMETERS:

Maturities will be selected such that portfolio net cash flows are reasonably expected to provide sufficient liquidity to meet daily expenditure requirements for the following 12 months. To manage interest rate risk, the effective duration of the portfolio (which adjusts for the optionality of certain investment types) shall not exceed 3 years. Repurchase Agreements using longer-dated investments are not to exceed 5 years and 6 months to maturity. Reserve funds may be invested based on the maturity parameters expressed in the legal document.

11.0 REPURCHASE AGREEMENTS:

Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a Securities Industry & Financial Markets Association (formerly known as The Bond Market Association) Master Repurchase Agreement and, for tri-party repurchase agreements, a Tri-Party

Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must have a maximum stated final maturity of 5 years. Collateral shall be marked to market by staff or by an independent third-party and the custodial bank acting under contract to the County. Collateral for term repurchase agreements shall be marked to market no less than once weekly. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et seq. of the California Government Code.

12.0 INVESTMENT POOLS AND MUTUAL FUNDS:

A thorough investigation of the government sponsored pools and/or mutual funds is required prior to investing and on a continual basis. The County's due diligence resulted in investment parameters for JPA Investment Pools and Money Market Mutual Funds that are listed on Schedule I.

13.0 PROHIBITED INVESTMENTS:

No investment shall be made that is prohibited by law. Thus, no investments are authorized in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor in any other investment that could result in zero interest if held to maturity, unless, if issued or backed by the United States Government in the event of, and for the duration of, a period of negative market interest rates. Additionally, the following types of investments are also prohibited:

- Mutual bond funds that do not maintain a constant Net Asset Value (NAV).
- Illiquid securities which lack a readily available secondary market for trading.

14.0 AUTHORIZED INVESTMENT ADVISORS:

The County may enter into an agreement with an investment advisor for investment management and/or investment advisory services. The investment advisor will operate under the direction of the County Treasurer. The investment advisor must be registered with the Securities and Exchange Commission (SEC) and submit forms ADV Part 1 and ADV Part 2A on an annual basis.

15.0 AUTHORIZED BROKER/DEALERS:

The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Security transactions are limited solely to those banks, direct issuers and dealers included on this list. All financial institutions must be approved by the County Treasurer before they receive County funds or are able to conduct business with the County Treasurer.

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year. Furthermore, in compliance with Section [27133\(c\) & \(d\)](#) of the California Government Code, no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, by the Fair Political Practices Commission, or by County ordinance.

16.0 DUE DILIGENCE:

County Treasurer staff shall conduct a thorough review and perform due diligence of all brokers, dealers, issuers of securities, and mutual funds prior to investing or conducting transactions with these parties and on a continuing basis. This due diligence shall include a periodic review of recent news, financial statements and SEC filings related to each entity.

17.0 INTERNAL CONTROLS:

The County Treasurer has established a system of internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to

separation of duties, safekeeping, collateralization, wire transfers and banking related activities. Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

- Investment transactions in excess of overnight maturity conducted by the County Treasurer's office shall be documented and subsequently reviewed by the Treasurer.
- All investment transactions shall be entered into the Treasurer's accounting system.
- County investments shall be transacted, settled, accounted for, and audited by different people.

18.0 SECURITY CUSTODY & DELIVERY:

All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third-party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

All security transactions are to be conducted on a "delivery-versus-payment basis." Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

19.0 COMPETITIVE PRICING:

Investment transactions are to be made at current market prices. When possible, competitive prices should be obtained through multiple bids or offers and documented on the trade ticket or other written forms. When possible, bids and offers for any investment security should be taken from a minimum of three security broker/dealers or banks and awards should be made to the best offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g., commercial paper and certificates of deposit), market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other issuers.

20.0 MITIGATING MARKET & CREDIT RISKS:

Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the credit ratings issued by Standard & Poor's, Moody's and/or Fitch rating services on the credit worthiness of each issuer of securities, by limiting the duration of investments to the time frames noted in Schedule I, and by maintaining the diversification and liquidity standards expressed within this policy.

21.0 LIQUIDITY:

The effective duration of the portfolio shall not exceed 3.0 years. Maturing securities, expected net inflows and outflows are expected to provide sufficient liquidity to meet daily expenditure requirements for the following 12 months.

22.0 PERFORMANCE EVALUATION:

Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, yield and total return, and performance attribution. The portfolio shall be designed to earn a market rate of investment income in relationship to our budgetary needs and economic developments.

In the event of a downgrade of a security held in the portfolio, the Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

23.0 TRADING & EARLY SALE OF SECURITIES:

Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the total return of the portfolio, securities may be sold prior to maturity, either at a profit or loss, when market conditions or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost as per the County's books of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date to the date of sale. However, the sale of a security at a loss can only be made with the approval of the County Treasurer or his designee.

24.0 PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:

Purchases of securities for forward settlement are only authorized as long as the intent of the purchase is to hold them in the portfolio and not for speculative trading, sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date, there is the ability at purchase to hold them in the portfolio to maturity without violating any of the diversification/maturity limits of this policy, and the forward settlement period does not exceed 21 days.

25.0 PORTFOLIO REPORTS/AUDITING:

On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, Chief Executive Officer, Chief Deputy Auditor, Superintendent of Schools and Treasury Oversight Committee a report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, and par value and stating the book vs. current market value together with all other portfolio information required by law.
- Compliance of investments to the existing IPS.
- A statement confirming the ability of the Pool to meet anticipated cash requirements for the next six months.

All security holdings shall be reconciled no less than monthly by the County Treasurer and, in accordance with California Government Code Sections [26920](#) and [26922](#), audited at least annually by an independent certified public accounting firm selected in accordance with County procurement policy.

26.0 TREASURY OVERSIGHT COMMITTEE:

In accordance with California Government Code Section [27131](#), the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

- Review the Treasurer's annual IPS and any subsequent changes thereto prior to submission to the Board of Supervisors for review and adoption.
- Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy.
- Cause an annual audit to be conducted of the Treasury Oversight Committee in accordance with California Government Code Section [27134](#).

The Treasury Oversight Committee shall receive a copy of every Audit Report as prepared by an independent certified public accounting firm(s). Such reports are made in accordance with the California Government Code Sections [26920](#) and [26922](#) and County Board of Supervisor's resolution dated July 6, 1971, and which includes an evaluation of investments for compliance with California Government Code Section [53601](#) and [53635](#).

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act.

By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury. Members of the Oversight Committee are prohibited from accepting gifts or gratuities from investment advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business.

27.0 QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:

All moneys deposited in the pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. It is the intent of this policy to safeguard and maintain the principal value of funds invested and to minimize "paper losses" caused by changes in market value. Nonetheless, actual portfolio income and/or losses, and net of any reserves, will be distributed quarterly among those participants sharing in pooled investment income in compliance with the California Government Code. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

28.0 QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:

Prior to the quarterly apportionment of pooled fund investment earnings, the County Treasurer is permitted, pursuant to the California Government Code, to deduct from investment earnings the actual cost of the investments, auditing, depositing, handling, and distribution of such income. Accordingly, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, wire transfers, custodial safekeeping charges, building remodeling costs and other capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer/Tax Collector's office engaged in the administration, investment, auditing, cashing, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

WITHDRAWAL OF FUNDS:

Any depositor or public official having funds on deposit, either voluntarily or involuntarily, with this pool, that seeks to withdraw these funds for the purpose of investing or depositing them outside the Treasury Pool, shall first submit a request for withdrawal to the Treasurer for approval prior to withdrawing funds.

The request should be submitted and processed as follows:

- In writing, from the governing authority of the funds being withdrawn. The request should state the amount, date of transfer, where investment and/or deposit is/are to be made, and the reason for the request.
- The request must be received by the County Treasurer no less than thirty (30) days prior to the requested date of withdrawal.
- Prior to approving a withdrawal, the County Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury pool, in accordance with California Government Code Section [27136\(b\)](#).

29.0 CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO THE TREASURY POOL:

The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the Treasury Pool.

30.0 POLICY ADOPTION & AMENDMENTS:

This IPS will become effective immediately following adoption by the Board of Supervisors. This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. It will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until the IPS is subsequently amended in writing by the County Auditor-Controller/Treasurer/Tax Collector, reviewed by the Treasury Oversight committee and approval by the Board of Supervisors.

31.0 AUTHORIZED INVESTMENTS (SCHEDULE I)

SAN BERNARDINO COUNTY INVESTMENT POLICY					
OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR (SCHEDULE I)					
AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS		MATURITY (not to exceed)	MINIMUM ALLOWABLE CREDIT QUALITY (S&P/MOODY'S/FITCH)
United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the U. S. are pledged for the payment of principal and interest 53601(b)	100%	None		5 years and 6 months	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by an agency of the Federal Government or U.S. government-sponsored enterprises 53601(f)	100%	Senior debt only (Max 10% of portfolio in new issue agency par callable securities)		5 years and 6 months for senior unsecured debt 7 years and 3 months (for agency mortgage-backed securities only)	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, the International Finance Corporation, and/or the Inter-American Development Bank 53601(g)	30%	US Dollar denominated Senior Unsecured debt only		5 years	AA by at least one rating agency*
Bonds, notes, warrants or certificates of indebtedness issued by agencies of and/or within San Bernardino County 53601(e)	10%	With approval of Treasurer		5 years	AAA by at least 2 of the 3 rating agencies*
Commercial paper of U.S. Corps with total assets in excess of \$500 MM 53635(a)(1)	40% total for all Commercial Paper	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*

Asset-backed Commercial Paper 53635(a)(1)	40% total for all Commercial Paper	Issuer must have program-wide credit enhancements		270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Negotiable CDs issued by approved banks 53601(i)	30%	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		3 years and 2 months (38 months) from settlement date	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 short-term rating or long-term letter rating of A- and/or A3, or higher (if rated)*
Collateralized Certificates of Deposit 53630 et. seq. and 53601(n)	10%	As stipulated in Article 2, Section 53630 et al. of the Calif. Govt. Code		1 year from settlement date	See Section 53630 et al. of the California Government Code
Repurchase Agreements with 102% collateral 53601(j)	40%	Repurchase Agreements (contracts) must be on file		180 days	Restricted to Primary Dealers on Eligible Broker/Dealer List
Reverse Repurchase Agreements 53601(j)	10%	See Schedule II		92 days (See Schedule II)	Restricted to Primary Dealers on Eligible Broker/Dealer List
Medium Term Notes of U.S. Corporations & Depository Institutions and/or Corporate or Bank notes 53601(k)	20% (shall not exceed 15% over 13 months)	Subject to 5% overall corporate issuer limit.		3 years and 2 months (38 months) from settlement date	Rated long-term A- and/or A3, or higher by at least 2 of the 3 rating agencies*
Asset-Backed Securities 53601(o)	15%	Subject to 5% overall special purpose entity** limit		5 years	As per Section 53601(o) of the California Government Code
FDIC Insured Deposit Accounts Authorized under California Government Code 53601.8 & 53635.8	5%	Max \$100MM per selected depository institution. Max \$100MM per placement service		Term Deposits not permitted	Not Applicable
JPA Investment Pools authorized under California Government Code Section 53601(p)	5%	JPA Pool Maintain Constant Net Asset Value (NAV)		Immediate Liquidity	AAA by at least one rating agency*
Money Market mutual funds that meet requirements of California Government Code 53601(l) and 53601.6(b)	20%	Registered with SEC. No NAV adjustments. No loads. Max 10% per fund.		Immediate Liquidity	AAA by at least 2 of the 3 rating agencies*
<p>* Standard & Poor's Ratings Services, Moody's Investors Service Inc., and Fitch Ratings Ltd. "New Issue" securities may be purchased and settled based on anticipated ratings.</p> <p>** See Glossary Terms</p>					

32.0 REVERSE REPO AND SECURITIES LENDING AGREEMENTS (SCHEDULE II)

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements and Securities Lending Agreements:

1. The total of Reverse Repurchase Agreement and Securities Lending Agreement transactions shall not exceed 10 percent of the base value of the portfolio.
2. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.
3. All loaned securities subject to Reverse Repurchase Agreements or Securities Lending Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.
4. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.
5. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreement and Securities Lending Agreement transactions.
6. Reverse Repurchase Agreements and Securities Lending Agreements shall only be placed on portfolio securities that are intended to be held to maturity, have been fully paid for, and have been held in the portfolio for a minimum of 30 days.
7. Reverse Repurchase Agreements and Securities Lending Agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.
8. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement or Securities Lending Agreement with any authorized primary dealer.
9. Reverse Repurchase Agreement and Securities Lending Agreement transactions shall have the approval of the County Treasurer.

33.0 COLLATERALIZED CERTIFICATES OF DEPOSIT (SCHEDULE III)

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The bank must provide us with an executed copy of the authorization for deposit of moneys.
2. The money-market yield on the certificate of deposit must be competitive with negotiable CD's offered by banks on the County's Approved Issuer List in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.
3. Collateral Requirements: the County will only accept U.S. Treasury and/or Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of San Bernardino County. The County must have perfected interest in the collateral. The maximum maturity of securities is 5 years, the collateral must be priced at 110% of the face value of the CD on a daily basis, and the minimum face value per pledged security is \$5 million. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.
4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.
5. The County Treasurer must receive a certificate of deposit, which specifically expresses the terms governing the transaction, such as: deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.).
6. Notwithstanding the above, the certificate of deposit must meet the requirements of Fitch Ratings Ltd. for the County to maintain its AAA pool rating. These requirements typically include an A-1/P-1 and/or F1 short-term rating. The County may rely on credit ratings of Standard & Poor's, Moody's and Fitch to determine the creditworthiness of an institution and/or may supplement this research with its own financial analysis.
7. Deposits will only be made with banks and savings and loans having branch office locations within San Bernardino County.

34.0 SELECTION OF BROKER/DEALERS (SCHEDULE IV)

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for San Bernardino County's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered and qualify under Rule 15C3-1 (uniform net capital rule) with the Securities & Exchange Commission (SEC), and possess all other required licenses.
2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.
3. The firm must acknowledge receipt of the County Treasurer's written IPS guidelines.
4. It is important that the firm provide related services that will enhance the account relationship, which could include:
 - (a) An active secondary market for its securities.
 - (b) Internal credit research analysis on commercial paper, bankers' acceptances and other securities it offers for sale.
 - (c) Be willing to purchase securities from our portfolio.
 - (d) Be capable of providing market analysis, economic projections, and newsletters.
5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.
6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.
7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or, for repurchase agreements, on a tri-party basis.
8. The broker/dealer must have been in operation for more than five (5) years.
9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer. Broker/dealers with less than \$10 million of net capital may be approved for trading that is limited in maturity or amount or may not be approved for extended settlement trades.
10. Repurchase agreement counterparties will be limited to primary government securities dealers who report to the Federal Reserve Bank of New York.

35.0 GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

ASSET-BACKED SECURITY (ABS) – A financial security backed by a loan, lease, or receivables against assets other than real estate and mortgage-backed securities.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company's creditworthiness.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government but involve Federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE'S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

- Federal National Mortgage Association (FNMA)
- Federal Home Loan Bank (FHLB)
- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Mortgage Corporation (FHLMC)

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INVERSE FLOATERS – Floating rate notes that pay interest in inverse relationship to an underlying index.

LIQUID – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THRU SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

POOL – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

PRIMARY DEALER – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e., brokers).

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES LENDING – A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SPECIAL PURPOSE ENTITY (or TRUST) - A legally separated pass-through entity, trust or equivalent that makes its obligation secure and independent from the parent entity. This term is used to define purchase of Asset-Backed Securities at either the depositor or master trust level.

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WHEN-ISSUED SECURITIES – A security traded before it receives final trading authorization with the investor receiving the certificate/security only after the final approval is granted.

YIELD – The gain, expressed as a percentage that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

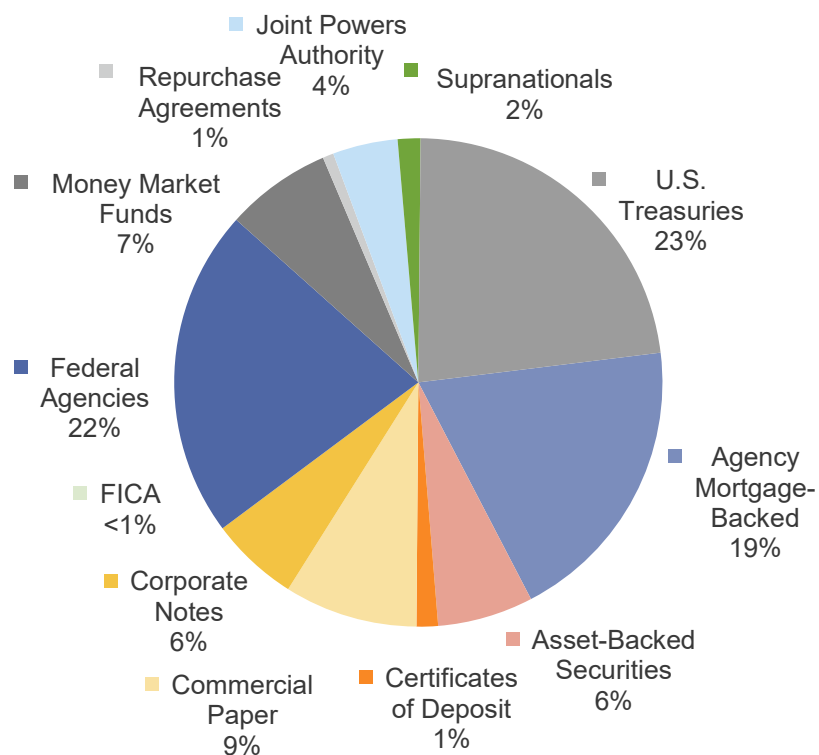
San Bernardino County Pool Summary

(as of 12/31/2023)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Effective Duration
Agency Mortgage-Backed	2,794,238,427	2,747,574,882	2,752,395,874	19.3%	4.23%	1,447	3.49
Asset-Backed Securities	907,090,745	907,011,062	904,679,942	6.4%	4.54%	1,173	1.24
Certificates of Deposit	200,000,000	200,000,000	199,925,372	1.4%	5.03%	17	0.06
Commercial Paper	1,273,580,000	1,260,275,436	1,259,613,996	8.8%	5.53%	70	0.21
Corporate Notes	843,957,000	843,791,128	835,474,171	5.9%	2.88%	454	1.04
Federal Agencies	3,201,820,000	3,145,894,283	3,105,086,190	21.8%	3.43%	466	1.23
Money Market Funds	1,001,000,000	1,001,000,000	1,001,000,000	7.0%	5.24%	1	0.00
Repurchase Agreements	100,000,000	100,000,000	100,000,320	0.7%	5.38%	4	0.02
Bank Deposit Account	22,169	22,169	22,169	-	5.33%	1	0.00
Joint Powers Authority	614,000,000	614,000,000	614,000,000	4.3%	5.56%	1	0.00
Supranationals	218,000,000	216,185,100	215,510,762	1.5%	4.22%	237	0.63
U.S. Treasuries	3,425,000,000	3,319,699,207	3,265,390,642	22.9%	2.74%	539	1.46
Total Securities	14,578,708,341	14,355,453,267	14,253,099,438	100.0%	3.92%	616	1.44
Cash Balance	117,242,615	117,242,615	117,242,615				
Total Investments	14,695,950,956	14,472,695,882	14,370,342,053				
Accrued Interest		54,803,501	54,803,500				
Total Portfolio	14,695,950,956	14,527,499,383	14,425,145,553				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, Fidelity, and Morgan Stanley money market funds.
2. Yield for the Joint Powers Authority is a weighted average of the month-end yields for the CAMP and CalTRUST Liquidity funds.
3. Statistics for the total portfolio include money market funds.
4. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate.
5. Percentages may not sum to 100% based on rounding differences.

Sector Distribution

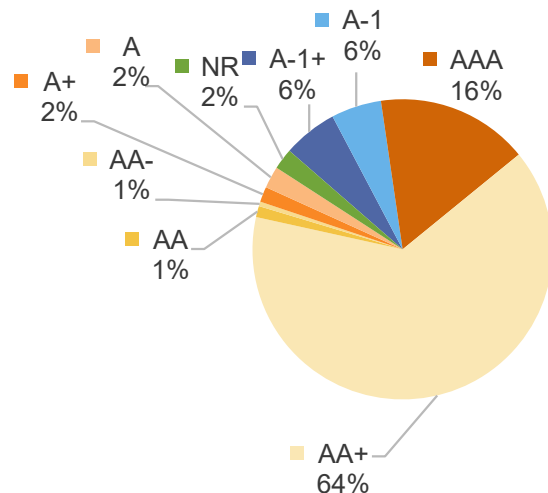


Sector	Market Value
Agency Mortgage-Backed	\$2,752,395,873
Asset-Backed Securities	\$904,679,942
Certificates of Deposit	\$199,925,372
Commercial Paper	\$1,259,613,996
Corporate Notes	\$835,474,171
Federal Agencies	\$3,105,086,190
Money Market Funds	\$1,001,000,000
Repurchase Agreements	\$100,000,320
FICA	\$22,169
Joint Powers Authority	\$614,000,000
Supranationals	\$215,510,762
U.S. Treasuries	\$3,265,390,643

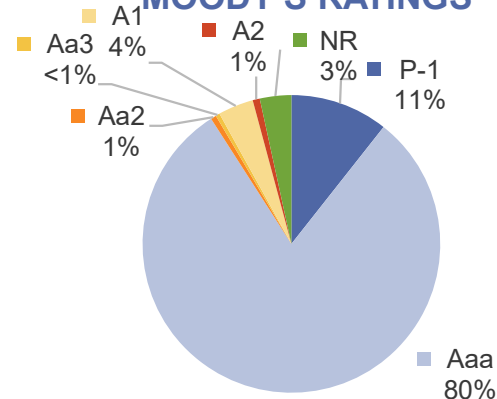
Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

S&P RATINGS



MOODY'S RATINGS

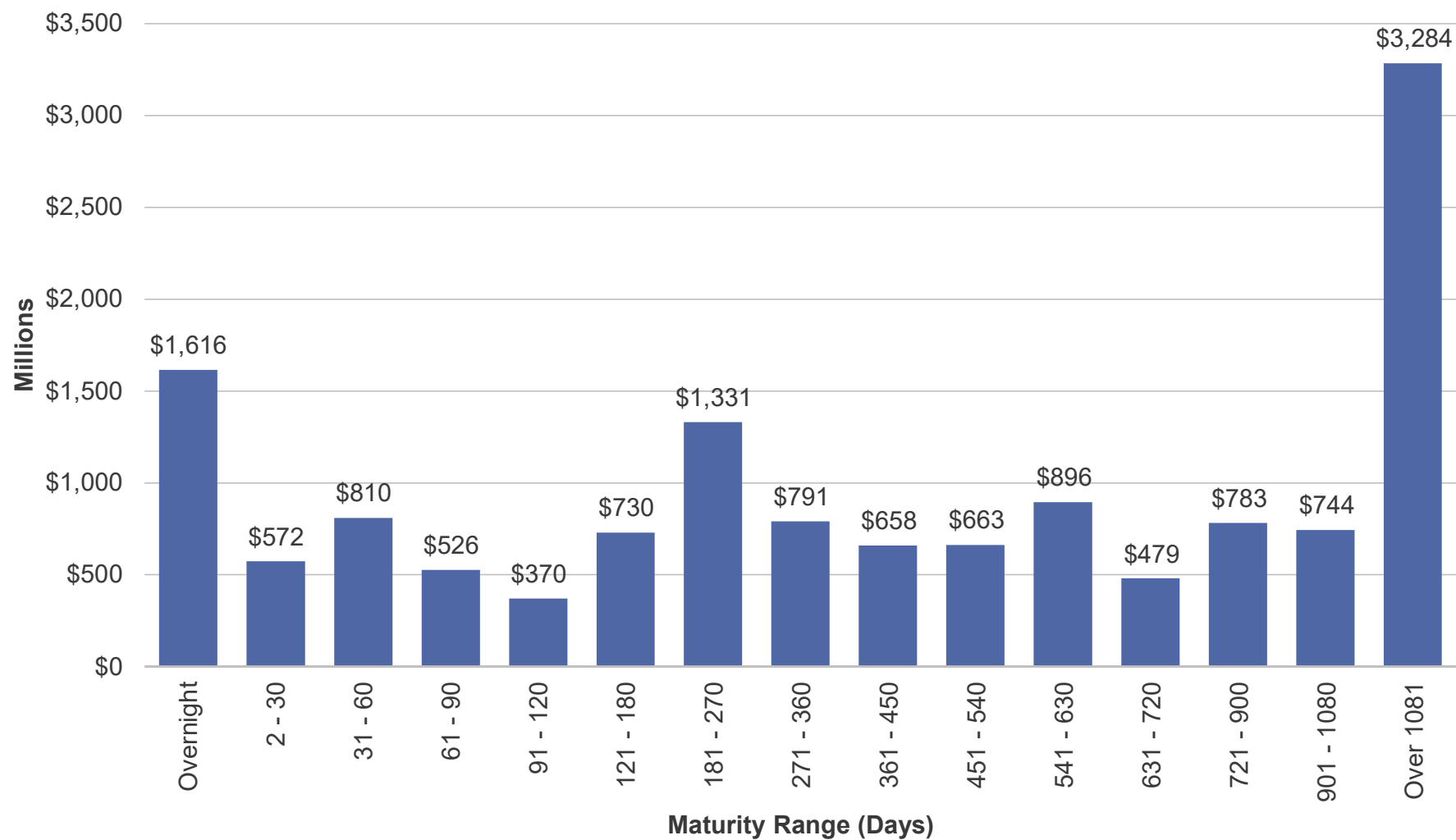


Credit Rating	Market Value
A-1+ (Short-Term)	\$833,615,902
A-1 (Short-Term)	\$768,744,722
AAA (Long-Term)	\$2,321,546,850
AA+ (Long-Term)	\$9,108,407,750
AA (Long-Term)	\$168,363,075
AA- (Long-Term)	\$69,362,740
A+ (Long-Term)	\$234,127,895
A (Long-Term)	\$333,613,261
Not Rated	\$415,317,243

Credit Rating	Market Value
P-1 (Short-Term)	\$1,504,498,774
Aaa (Long-Term)	\$11,361,962,947
Aa1 (Long-Term)	\$0
Aa2 (Long-Term)	\$85,638,870
Aa3 (Long-Term)	\$64,363,285
A1 (Long-Term)	\$545,136,777
A2 (Long-Term)	\$110,328,039
A3 (Long-Term)	\$0
Not Rated	\$581,170,746

Percentages may not sum to 100% due to rounding.


Maturity Distribution



Maturity range assumes no securities are called.

San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity
	At Cost
December 2022	2.88%
January 2023	2.96%
February 2023	3.02%
March 2023	3.12%
April 2023	3.31%
May 2023	3.45%
June 2023	3.53%
July 2023	3.52%
August 2023	3.71%
September 2023	3.78%
October 2023	3.84%
November 2023	3.94%
December 2023	3.92%

- 
1. Gross yields not including non-earning assets (compensating bank balances) or administrative costs for management of the pool.
 2. All historical yields restated to include money market funds.

Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

For more information regarding PFMAM’s services please visit www.pfmam.com.



APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series F Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series F Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series F Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com, which is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX G

TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

Date	Capital Appreciation Bonds 08/01/2031 3.36%	Capital Appreciation Bonds 08/01/2032 3.42%	Capital Appreciation Bonds 08/01/2033 3.48%	Capital Appreciation Bonds 08/01/2034 3.54%	Capital Appreciation Bonds 08/01/2035 3.65%	Capital Appreciation Bonds 08/01/2036 3.78%	Capital Appreciation Bonds 08/01/2037 3.95%
2/27/2024	\$3,903.75	\$3,757.05	\$3,611.65	\$3,467.80	\$3,307.10	\$3,139.45	\$2,957.10
8/1/2024	3,959.75	3,811.95	3,665.35	3,520.25	3,358.70	3,190.15	3,007.00
2/1/2025	4,026.30	3,877.15	3,729.15	3,582.55	3,420.00	3,250.45	3,066.35
8/1/2025	4,093.95	3,943.45	3,794.00	3,645.95	3,482.40	3,311.85	3,126.90
2/1/2026	4,162.70	4,010.90	3,860.05	3,710.50	3,545.95	3,374.45	3,188.70
8/1/2026	4,232.65	4,079.45	3,927.20	3,776.15	3,610.65	3,438.25	3,251.65
2/1/2027	4,303.75	4,149.25	3,995.55	3,843.00	3,676.55	3,503.20	3,315.90
8/1/2027	4,376.05	4,220.20	4,065.05	3,911.00	3,743.65	3,569.45	3,381.35
2/1/2028	4,449.60	4,292.35	4,135.80	3,980.25	3,812.00	3,636.90	3,448.15
8/1/2028	4,524.35	4,365.75	4,207.75	4,050.70	3,881.55	3,705.65	3,516.25
2/1/2029	4,600.35	4,440.40	4,280.95	4,122.40	3,952.40	3,775.65	3,585.70
8/1/2029	4,677.65	4,516.35	4,355.45	4,195.35	4,024.50	3,847.05	3,656.50
2/1/2030	4,756.20	4,593.55	4,431.25	4,269.60	4,097.95	3,919.75	3,728.75
8/1/2030	4,836.10	4,672.10	4,508.35	4,345.20	4,172.75	3,993.80	3,802.40
2/1/2031	4,917.35	4,752.00	4,586.80	4,422.10	4,248.90	4,069.30	3,877.45
8/1/2031	5,000.00	4,833.25	4,666.60	4,500.40	4,326.45	4,146.20	3,954.05
2/1/2032	-	4,915.90	4,747.80	4,580.05	4,405.40	4,224.60	4,032.15
8/1/2032	-	5,000.00	4,830.40	4,661.10	4,485.80	4,304.40	4,111.80
2/1/2033	-	-	4,914.45	4,743.60	4,567.70	4,385.80	4,193.00
8/1/2033	-	-	5,000.00	4,827.55	4,651.05	4,468.65	4,275.80
2/1/2034	-	-	-	4,913.00	4,735.90	4,553.15	4,360.25
8/1/2034	-	-	-	5,000.00	4,822.35	4,639.20	4,446.35
2/1/2035	-	-	-	-	4,910.35	4,726.85	4,534.20
8/1/2035	-	-	-	-	5,000.00	4,816.20	4,623.75
2/1/2036	-	-	-	-	-	4,907.25	4,715.05
8/1/2036	-	-	-	-	-	5,000.00	4,808.20
2/1/2037	-	-	-	-	-	-	4,903.15
8/1/2037	-	-	-	-	-	-	5,000.00
2/1/2038	-	-	-	-	-	-	-
8/1/2038	-	-	-	-	-	-	-
2/1/2039	-	-	-	-	-	-	-
8/1/2039	-	-	-	-	-	-	-
2/1/2040	-	-	-	-	-	-	-
8/1/2040	-	-	-	-	-	-	-
2/1/2041	-	-	-	-	-	-	-
8/1/2041	-	-	-	-	-	-	-
2/1/2042	-	-	-	-	-	-	-
8/1/2042	-	-	-	-	-	-	-
2/1/2043	-	-	-	-	-	-	-
8/1/2043	-	-	-	-	-	-	-
2/1/2044	-	-	-	-	-	-	-
8/1/2044	-	-	-	-	-	-	-
2/1/2045	-	-	-	-	-	-	-
8/1/2045	-	-	-	-	-	-	-
2/1/2046	-	-	-	-	-	-	-
8/1/2046	-	-	-	-	-	-	-
2/1/2047	-	-	-	-	-	-	-
8/1/2047	-	-	-	-	-	-	-
2/1/2048	-	-	-	-	-	-	-
8/1/2048	-	-	-	-	-	-	-

	Capital Appreciation Bonds	Capital Appreciation Bonds	Capital Appreciation Bonds	Capital Appreciation Bonds	Capital Appreciation Bonds	Capital Appreciation Bonds	Capital Appreciation Bonds
Date	08/01/2038 4.07%	08/01/2039 4.18%	08/01/2040 4.28%	08/01/2041 4.34%	08/01/2042 4.4%	08/01/2043 4.45%	08/01/2044 4.5%
2/27/2024	\$2,795.80	\$2,641.10	\$2,493.60	\$2,365.90	\$2,242.05	\$2,126.25	\$2,014.50
8/1/2024	2,844.40	2,688.25	2,539.20	2,409.75	2,284.20	2,166.70	2,053.20
2/1/2025	2,902.30	2,744.45	2,593.55	2,462.05	2,334.45	2,214.90	2,099.40
8/1/2025	2,961.35	2,801.80	2,649.05	2,515.45	2,385.80	2,264.15	2,146.65
2/1/2026	3,021.60	2,860.35	2,705.75	2,570.05	2,438.30	2,314.55	2,194.95
8/1/2026	3,083.10	2,920.15	2,763.65	2,625.80	2,491.95	2,366.05	2,244.35
2/1/2027	3,145.85	2,981.15	2,822.80	2,682.80	2,546.75	2,418.70	2,294.80
8/1/2027	3,209.85	3,043.45	2,883.20	2,741.00	2,602.80	2,472.50	2,346.45
2/1/2028	3,275.15	3,107.10	2,944.90	2,800.50	2,660.05	2,527.50	2,399.25
8/1/2028	3,341.80	3,172.00	3,007.90	2,861.25	2,718.55	2,583.75	2,453.25
2/1/2029	3,409.85	3,238.30	3,072.30	2,923.35	2,778.40	2,641.25	2,508.45
8/1/2029	3,479.20	3,306.00	3,138.05	2,986.80	2,839.50	2,700.00	2,564.90
2/1/2030	3,550.00	3,375.10	3,205.20	3,051.60	2,902.00	2,760.10	2,622.60
8/1/2030	3,622.25	3,445.65	3,273.80	3,117.85	2,965.80	2,821.50	2,681.60
2/1/2031	3,696.00	3,517.65	3,343.85	3,185.50	3,031.05	2,884.30	2,741.95
8/1/2031	3,771.20	3,591.15	3,415.40	3,254.60	3,097.75	2,948.45	2,803.60
2/1/2032	3,847.95	3,666.20	3,488.50	3,325.25	3,165.90	3,014.05	2,866.70
8/1/2032	3,926.25	3,742.85	3,563.15	3,397.40	3,235.55	3,081.15	2,931.20
2/1/2033	4,006.15	3,821.05	3,639.40	3,471.10	3,306.75	3,149.70	2,997.15
8/1/2033	4,087.65	3,900.95	3,717.30	3,546.45	3,379.50	3,219.75	3,064.60
2/1/2034	4,170.85	3,982.45	3,796.85	3,623.40	3,453.85	3,291.40	3,133.55
8/1/2034	4,255.75	4,065.70	3,878.10	3,702.05	3,529.80	3,364.65	3,204.05
2/1/2035	4,342.35	4,150.65	3,961.05	3,782.35	3,607.50	3,439.50	3,276.15
8/1/2035	4,430.70	4,237.40	4,045.85	3,864.45	3,686.85	3,516.05	3,349.85
2/1/2036	4,520.85	4,326.00	4,132.40	3,948.30	3,767.95	3,594.25	3,425.25
8/1/2036	4,612.85	4,416.40	4,220.85	4,034.00	3,850.85	3,674.25	3,502.30
2/1/2037	4,706.75	4,508.70	4,311.20	4,121.50	3,935.55	3,756.00	3,581.10
8/1/2037	4,802.50	4,602.95	4,403.45	4,210.95	4,022.15	3,839.55	3,661.70
2/1/2038	4,900.25	4,699.15	4,497.70	4,302.35	4,110.65	3,925.00	3,744.05
8/1/2038	5,000.00	4,797.35	4,593.95	4,395.70	4,201.05	4,012.35	3,828.30
2/1/2039	-	4,897.60	4,692.25	4,491.10	4,293.50	4,101.60	3,914.45
8/1/2039	-	5,000.00	4,792.65	4,588.55	4,387.95	4,192.85	4,002.55
2/1/2040	-	-	4,895.20	4,688.10	4,484.50	4,286.15	4,092.60
8/1/2040	-	-	5,000.00	4,789.85	4,583.15	4,381.50	4,184.65
2/1/2041	-	-	-	4,893.80	4,684.00	4,479.00	4,278.80
8/1/2041	-	-	-	5,000.00	4,787.05	4,578.65	4,375.10
2/1/2042	-	-	-	-	4,892.35	4,680.55	4,473.55
8/1/2042	-	-	-	-	5,000.00	4,784.70	4,574.20
2/1/2043	-	-	-	-	-	4,891.15	4,677.10
8/1/2043	-	-	-	-	-	5,000.00	4,782.35
2/1/2044	-	-	-	-	-	-	4,889.95
8/1/2044	-	-	-	-	-	-	5,000.00
2/1/2045	-	-	-	-	-	-	-
8/1/2045	-	-	-	-	-	-	-
2/1/2046	-	-	-	-	-	-	-
8/1/2046	-	-	-	-	-	-	-
2/1/2047	-	-	-	-	-	-	-
8/1/2047	-	-	-	-	-	-	-
2/1/2048	-	-	-	-	-	-	-
8/1/2048	-	-	-	-	-	-	-

	Capital Appreciation Bonds 08/01/2045 4.55%	Capital Appreciation Bonds 08/01/2046 4.58%	Capital Appreciation Bonds 08/01/2047 4.6%	Capital Appreciation Bonds 08/01/2048 4.65%
Date				
2/27/2024	\$1,906.70	\$1,810.90	\$1,722.80	\$1,626.65
8/1/2024	1,943.75	1,846.30	1,756.65	1,658.95
2/1/2025	1,988.00	1,888.60	1,797.05	1,697.55
8/1/2025	2,033.20	1,931.85	1,838.40	1,737.00
2/1/2026	2,079.50	1,976.10	1,880.65	1,777.40
8/1/2026	2,126.80	2,021.35	1,923.90	1,818.70
2/1/2027	2,175.15	2,067.60	1,968.15	1,861.00
8/1/2027	2,224.65	2,114.95	2,013.45	1,904.30
2/1/2028	2,275.25	2,163.40	2,059.75	1,948.55
8/1/2028	2,327.05	2,212.95	2,107.15	1,993.85
2/1/2029	2,379.95	2,263.60	2,155.60	2,040.20
8/1/2029	2,434.10	2,315.45	2,205.15	2,087.65
2/1/2030	2,489.50	2,368.50	2,255.90	2,136.20
8/1/2030	2,546.15	2,422.70	2,307.80	2,185.85
2/1/2031	2,604.05	2,478.20	2,360.85	2,236.70
8/1/2031	2,663.30	2,534.95	2,415.15	2,288.70
2/1/2032	2,723.90	2,593.00	2,470.70	2,341.90
8/1/2032	2,785.85	2,652.40	2,527.55	2,396.35
2/1/2033	2,849.25	2,713.15	2,585.65	2,452.05
8/1/2033	2,914.05	2,775.25	2,645.15	2,509.05
2/1/2034	2,980.35	2,838.80	2,706.00	2,567.40
8/1/2034	3,048.15	2,903.80	2,768.20	2,627.10
2/1/2035	3,117.50	2,970.30	2,831.90	2,688.20
8/1/2035	3,188.45	3,038.35	2,897.00	2,750.70
2/1/2036	3,260.95	3,107.90	2,963.65	2,814.65
8/1/2036	3,335.15	3,179.10	3,031.80	2,880.10
2/1/2037	3,411.05	3,251.90	3,101.55	2,947.05
8/1/2037	3,488.65	3,326.35	3,172.90	3,015.55
2/1/2038	3,568.00	3,402.55	3,245.85	3,085.65
8/1/2038	3,649.15	3,480.45	3,320.50	3,157.40
2/1/2039	3,732.20	3,560.15	3,396.90	3,230.80
8/1/2039	3,817.10	3,641.70	3,475.00	3,305.95
2/1/2040	3,903.95	3,725.10	3,554.95	3,382.80
8/1/2040	3,992.75	3,810.40	3,636.70	3,461.45
2/1/2041	4,083.60	3,897.65	3,720.35	3,541.95
8/1/2041	4,176.50	3,986.90	3,805.90	3,624.30
2/1/2042	4,271.50	4,078.20	3,893.45	3,708.55
8/1/2042	4,368.70	4,171.60	3,983.00	3,794.80
2/1/2043	4,468.05	4,267.10	4,074.60	3,883.00
8/1/2043	4,569.70	4,364.85	4,168.35	3,973.30
2/1/2044	4,673.70	4,464.80	4,264.20	4,065.65
8/1/2044	4,780.00	4,567.05	4,362.30	4,160.20
2/1/2045	4,888.75	4,671.65	4,462.60	4,256.90
8/1/2045	5,000.00	4,778.60	4,565.25	4,355.90
2/1/2046	-	4,888.05	4,670.25	4,457.15
8/1/2046	-	5,000.00	4,777.65	4,560.80
2/1/2047	-	-	4,887.55	4,666.85
8/1/2047	-	-	5,000.00	4,775.35
2/1/2048	-	-	-	4,886.35
8/1/2048	-	-	-	5,000.00

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer



ACCRETED VALUE

ENDORSEMENT TO

**MUNICIPAL BOND
INSURANCE POLICY**

NO.

Re: Bonds Maturing on

It is further understood that with respect to the Bonds maturing on the dates referenced above, the amount insured under this Policy is that portion of the accreted value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer

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