

*In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no other opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*



**\$17,000,000**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**(MADERA COUNTY, CALIFORNIA)**  
**GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A**

**Dated: Date of Delivery****Due: August 1, as shown herein**

The \$17,000,000 Chowchilla Union High School District General Obligation Bonds, Election of 2022, Series A (the "Bonds") are being issued by Chowchilla Union High School District (the "District"), located in Madera County (the "County"), California, to (i) finance the construction, acquisition, improvement, furnishing and equipping of District facilities, (ii) to fund capitalized interest on the Bonds, and (iii) to pay certain costs of issuance of the Bonds. The Bonds were authorized at a bond election conducted in the District on June 7, 2022, at which 57.72% of the voters in the District voting on the measure voted to approve the issuance by the District of \$25,100,000 in aggregate principal amount of bonds (the "2022 Authorization"). The Bonds represent the first series of bonds under the 2022 Authorization.

The Bonds are being issued pursuant to certain provisions of the Government Code and Education Code of the State of California (the "State") and the Resolution of the Board of Trustees of the District (the "District Board") adopted on August 8, 2022 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

The Bonds are general obligations of the District, payable solely 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 the County is empowered and obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

The Bonds are dated the date of delivery and are being issued as current interest bonds including serial bonds and term bonds. The Bonds shall be issued in denominations of \$5,000 principal amount, and integral multiples thereof as shown on the inside cover page of this Official Statement. Interest on the Bonds shall be payable on February 1 and August 1 of each year, commencing on February 1, 2023.

The 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 Bonds. Individual purchases of Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased by them. Payments of the principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association, as Paying Agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption" herein.

This cover page contains information for general reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

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**MATURITY SCHEDULE**  
**(See Inside Front Cover)**

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*The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, and certain other conditions. Certain legal matters will be passed upon for the District by Lozano Smith, LLP, as counsel to the District and as Disclosure Counsel to the District, and for the Underwriter by Jones Hall, A Professional Law Corp., San Francisco, California. It is anticipated that the Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York, on or about September 22, 2022.*



## MATURITY SCHEDULE

\$17,000,000

### CHOWCHILLA UNION HIGH SCHOOL DISTRICT (Madera County, California)

#### GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A BASE CUSIP<sup>†</sup>: 170484

##### \$2,345,000 Serial Bonds

<b>Maturity Date (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup></b>
2033	\$175,000	5.000%	3.270% <sup>C</sup>	170484 CT4
2034	225,000	5.000	3.430 <sup>C</sup>	170484 CU1
2035	275,000	5.000	3.610 <sup>C</sup>	170484 CV9
2036	330,000	5.000	3.700 <sup>C</sup>	170484 CW7
2037	380,000	5.000	3.750 <sup>C</sup>	170484 CX5
2038	445,000	5.000	3.800 <sup>C</sup>	170484 CY3
2039	515,000	5.000	3.850 <sup>C</sup>	170484 CZ0

##### \$14,655,000 Term Bonds

\$1,275,000, 5.250% Term Bonds due August 1, 2041 — Yield 4.000%<sup>C</sup>; CUSIP<sup>†</sup> 170484 DA4

\$1,540,000, 5.250% Term Bonds due August 1, 2043 — Yield 4.100%<sup>C</sup>; CUSIP<sup>†</sup> 170484 DB2

\$4,140,000, 4.250% Term Bonds due August 1, 2047 — Yield 4.500%<sup>C</sup>; CUSIP<sup>†</sup> 170484 DC0

\$2,630,000, 4.500% Term Bonds due August 1, 2052 — Yield 4.632%<sup>C</sup>; CUSIP<sup>†</sup> 170484 DE6

\$5,070,000, 5.500% Term Bonds due August 1, 2052 — Yield 4.250%<sup>C</sup>; CUSIP<sup>†</sup> 170484 DD8

<sup>C</sup> Yield to call at par on August 1, 2032

<sup>†</sup> CUSIP<sup>®</sup> 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© 2022 CUSIP Global Services. All rights reserved. CUSIP<sup>®</sup> numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter, the District, the County, Bond Counsel, Disclosure Counsel, or the Financial Advisor are responsible for the selection or correctness of the CUSIP<sup>®</sup> numbers set forth above.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT  
COUNTY OF MADERA  
STATE OF CALIFORNIA**

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**DISTRICT BOARD OF TRUSTEES**

Ms. Charlene Espinola, *President*

Mr. Brandon Moore, *Clerk*

Mr. Joe Botelho, *Member*

Mr. Mike Cargill, *Member*

Mr. Pat DeWall, *Member*

**DISTRICT ADMINISTRATION**

Dr. Justin Miller, *Superintendent*

Margarita Yamasaki, *Director of Business Services*

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**PROFESSIONAL SERVICES**

**BOND COUNSEL, DISCLOSURE COUNSEL,  
AND DISTRICT COUNSEL**

Lozano Smith, LLP

*Sacramento, California*

**FINANCIAL ADVISOR**

Dale Scott & Company Inc.

*San Francisco, California*

**PAYING AGENT**

U.S. Bank Trust Company, National Association

*San Francisco, California*

**UNDERWRITER'S COUNSEL**

Jones Hall, A Professional Law Corporation

*San Francisco, California*

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

**No Offering except by This Official Statement.** No dealer, broker, salesperson, or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation, or sale.

**Information in Official Statement.** The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

**Involvement of Underwriter.** The Underwriter has provided the following statement 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.

**Stabilization of and Changes to Offering Prices.** The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The

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

**Document Summaries.** All summaries of the Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

**No Securities Laws Registration.** The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

**Website.** The District maintains a Website at [www.chowchillahigh.k12.ca.us](http://www.chowchillahigh.k12.ca.us). However, the information presented on the Website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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\$17,000,000  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**(Madera County, California)**  
**GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A**

**INTRODUCTION**

**General**

This Official Statement, which includes the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale of \$17,000,000 aggregate principal amount of Chowchilla Union High School District General Obligation Bonds, Election of 2022, Series A (the "Bonds") to be offered by the Chowchilla Union High 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 "CONTINUING DISCLOSURE," herein.

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for the issuance and payment of the 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 Bonds.

Copies of documents referred to herein and information concerning the Bonds is available from the District by contacting: Chowchilla Union High School District, 805 Humboldt Avenue, Chowchilla, California 93610, Attention: Business Services Department. The District may impose a charge for copying, handling, and mailing such requested documents.

**The District**

The District was established in 1916 and comprises an area of approximately 110 square miles located in the northern portion of Madera County (the "County"), State of California (the "State"), primarily serving students in the city of Chowchilla. The District operates one high school and one continuation high school, serving approximately 1,138 students as of fiscal year 2022-23. Property in the District had a total assessed value of \$2,519,709,011 in fiscal year 2021-22.

The District is governed by a five-member Board of Trustees (the "District Board"), each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Dr. Justin Miller is the District Superintendent. For additional information about the District, see APPENDIX A - "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX C - "AUDIT REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021."

## **Continuing Disclosure**

The District has covenanted for the benefit of the holders and Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by no later than nine months following the end of the District's fiscal year, and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" and APPENDIX E – "Form of Continuing Disclosure Certificate" herein.

## **Tax Matters**

In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no other opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

## **COVID-19 Statement**

The COVID-19 pandemic is a public health crisis that has been ongoing since March of 2020. Though infections of SARS-COV-2, the virus which causes COVID-19, and its subvariants, have fallen in recent months due in part to widespread administration of vaccines, investors continue to be cautioned that the District cannot predict the full impacts that the COVID-19 pandemic may have had or will continue to have, either directly or indirectly, on its operations, including its finances, property values and other matters. For more disclosure regarding the COVID-19 pandemic, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Assessed Valuation of Property within the District – COVID-19" and, in APPENDIX A, under the heading "THE DISTRICT – Impact to District Operations and Budget Due to Coronavirus Pandemic," among others.

## **THE BONDS**

### **Authority for Issuance**

The Bonds are issued under the provisions of Article 4.5 (commencing with Section 53506) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, certain provisions of the California Education Code, and other applicable provisions of law (the "Bond Law"), and a resolution adopted by the District Board on August 8, 2022 (the "Resolution") providing for the issuance of the Bonds.

The Bonds were authorized at an election of the registered voters of the District held on June 7, 2022 (the "Election"), at which Election 57.72% of the voters voting on the proposition authorized the issuance of up to \$25,100,000 aggregate principal amount of general obligation bonds (the "2022 Authorization") for the purpose of financing the construction, renovation, modernization, and equipping of the District's school facilities. The Bonds are the first series of bonds to be issued pursuant to the 2022 Authorization.

### **Purpose of Issue**

The net proceeds from the Bonds will be used to (i) provide funds to finance the construction, acquisition, improvement, furnishing and equipping of District facilities, (ii) to fund capitalized interest on the Bonds, and (iii) to pay certain costs of issuance of the Bonds. See "– Estimated Sources and Uses of Funds" herein.



## **Form and Registration**

The Bonds will be dated their date of delivery (the “Delivery Date”) and will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, dated as of the Delivery Date, and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available 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 be entitled to receive physical delivery of the Bonds, but will instead receive credit balances on the books of their respective nominees. See “APPENDIX G—Book-Entry Only System.”

## **Payment of Principal and Interest**

The Bonds will be issued as current interest serial and/or term bonds as set forth on the inside front cover page hereof.

**Interest.** The Bonds will be dated as of their Delivery Date, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year, commencing on February 1, 2023 (each, an “Interest Payment Date”), computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the “Record Date”) and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Bond, interest is in default on any outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds.

**Payment of Bonds.** The principal of the Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of U.S. Bank Trust Company, National Association, as paying agent (the “Paying Agent”) at the maturity thereof or upon redemption prior to maturity.

Interest on the Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the “Owner”) at such Owner’s address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least \$1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date immediately preceding any Interest Payment Date. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.”

## **Redemption**

**Optional Redemption of Bonds.** The Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2032, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with interest accrued thereon to the date of redemption.

**Mandatory Sinking Fund Redemption of Bonds.** The Bonds maturing on August 1 in the years 2041, 2043, 2047, and 2052, which are designated as term bonds (the “Term Bonds”) shall also be subject to redemption prior to their

stated maturity dates, without a redemption premium, in part by lot, from mandatory sinking fund payments in accordance with the below tables.

**Term Bonds Maturing August 1, 2041**

<b>Mandatory Sinking Fund</b>	
<b>Redemption Date (August 1)</b>	<b>Principal Amount to be Redeemed</b>
2040	\$610,000
2041*	665,000

\* Maturity.

**Term Bonds Maturing August 1, 2043**

<b>Mandatory Sinking Fund</b>	
<b>Redemption Date (August 1)</b>	<b>Principal Amount to be Redeemed</b>
2042	\$750,000
2043*	790,000

\* Maturity.

**Term Bonds Maturing August 1, 2047**

<b>Mandatory Sinking Fund</b>	
<b>Redemption Date (August 1)</b>	<b>Principal Amount to be Redeemed</b>
2044	\$ 895,000
2045	985,000
2046	1,075,000
2047*	1,185,000

\* Maturity.

**4.500% Term Bonds Maturing August 1, 2052**

<b>Mandatory Sinking Fund</b>	
<b>Redemption Date (August 1)</b>	<b>Principal Amount to be Redeemed</b>
2048	\$415,000
2049	465,000
2050	515,000
2051	600,000
2052*	635,000

\* Maturity.

**5.500% Term Bonds Maturing August 1, 2052**

<b>Mandatory Sinking Fund</b>	
<b>Redemption Date (August 1)</b>	<b>Principal Amount to be Redeemed</b>
2048	\$ 850,000
2049	900,000
2050	1,040,000
2051	1,070,000
2052*	1,210,000

\* Maturity.

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

***Selection of Bonds for Redemption.*** If less than all of the Bonds are called for redemption, the Bonds will be redeemed as directed by the District, and if not so directed, then in inverse order of maturity. Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Bonds of such maturity to be redeemed by lot or in any manner determined by the District. For purposes of such selection, each Bond will be deemed to consist of individual Bonds of denominations of \$5,000 principal amount, which may be separately redeemed.

***Notice of Redemption.*** Notice of redemption of any Bond will be mailed by the Paying Agent, postage prepaid, (i) not less than 20 nor more than 60 days prior to the redemption date by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate. See APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Each notice of redemption shall state: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the Bonds and the dates of maturity or maturities of Bonds to be redeemed; (vi) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure of the Owners of any Bonds or by any securities depository or information service to receive notice of redemption, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

***Partial Redemption of Bonds.*** Upon the surrender of any Bond redeemed in part only, the Paying Agent shall authenticate and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the 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.*** When notice of redemption has been given substantially as described above and when the redemption price of the Bonds called for redemption is set aside, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to moneys on deposit for that purpose in the interest and sinking fund of the District within the Madera County treasury (the “Interest and Sinking Fund”) or a

trust fund established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

**Right to Rescind Notice.** The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

### **Transfer and Exchange**

Any Bond may be exchanged for Bonds of the same series, maturity, and interest rate upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or 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 principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

### **Defeasance of Bonds**

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or Federal Securities (defined below), in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates. Pursuant to the Resolution, "Federal Securities" means United States Treasury notes, bonds, bills, or certificates of indebtedness (including zero interest bearing State and Local Government Series) or obligations issued by any agency or department of the United States, which are secured, directly or indirectly, by the full faith and credit of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), and which are not callable by the issuer thereof prior to maturity.

### **Unclaimed Moneys**

Any money held in any fund or by the Paying Agent in trust for the payment of the principal of, redemption premium for, if any, or interest on any of the Bonds and remaining unclaimed for one year after the principal of all of such Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the Interest and Sinking Fund of the District for payment of any outstanding Bonds of the District payable from said fund; or, if no such Bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

### **Security for the Bonds**

The Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* property

taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds. The proceeds of the levy shall be deposited to the credit of the Interest and Sinking Fund and shall be applied for the payment of principal of and interest on the Bonds. Moneys in the Interest and Sinking Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code, and consistent with the investment policy of the County. See "APPENDIX F – MADERA COUNTY INVESTMENT POLICY STATEMENT AND QUARTERLY REPORT." The proceeds on deposit in the Interest and Sinking Fund are pledged to the repayment of the principal and redemption price of and interest on the Bonds.

See also "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" below.

**Estimated Sources and Uses of Funds**

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

**TABLE 1**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**(Madera County, California)**  
**GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A**  
**Estimated Sources and Uses of Funds**

<b>Sources of Funds:</b>	
Par Amount	\$17,000,000.00
Original Issue Premium/Discount	818,640.65
<b>Total Sources of Funds</b>	<b>\$17,818,640.65</b>
 <b>Uses of Funds:</b>	
Building Fund Deposit	\$16,777,750.00
Interest and Sinking Fund Deposit	818,640.65
Costs of Issuance <sup>(1)</sup>	167,000.00
Underwriter’s Discount	55,250.00
<b>Total Uses of Funds</b>	<b>\$17,818,640.65</b>

<sup>(1)</sup> Includes bond counsel fees, disclosure counsel fees, rating agency fees, financial advisory fees, paying agent fees, printing fees, and other miscellaneous expenses.

**The Series A Project**

Pursuant to the 2022 Authorization, the District intends to apply the net proceeds of sale of the Bonds for capital improvements included on the Project List approved by voters of the District at the Election. The District Board retains the ability to set priorities among the improvements included on the Project List in order to meet the needs of the District and its students.

Each item on the Project List is assumed to include, if applicable, its share of furniture, equipment, architectural, engineering, and similar planning costs and program/project management. Completion of the items on the project list is subject to the District’s priorities and needs and the availability of adequate funding.

## Debt Service Schedule

Annual debt service on the Bonds, assuming no early optional redemptions, is as shown in the following table.

**TABLE 2**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**(Madera County, California)**  
**GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES A**  
**Annual Debt Service**

Period Ending (August 1)	Principal	Interest	Annual Debt Service
2023	--	\$ 719,444.27	\$ 719,444.27
2024	--	838,187.50	838,187.50
2025	--	838,187.50	838,187.50
2026	--	838,187.50	838,187.50
2027	--	838,187.50	838,187.50
2028	--	838,187.50	838,187.50
2029	--	838,187.50	838,187.50
2030	--	838,187.50	838,187.50
2031	--	838,187.50	838,187.50
2032	--	838,187.50	838,187.50
2033	\$ 175,000	838,187.50	1,013,187.50
2034	225,000	829,437.50	1,054,437.50
2035	275,000	818,187.50	1,093,187.50
2036	330,000	804,437.50	1,134,437.50
2037	380,000	787,937.50	1,167,937.50
2038	445,000	768,937.50	1,213,937.50
2039	515,000	746,687.50	1,261,687.50
2040	610,000	720,937.50	1,330,937.50
2041	665,000	688,912.50	1,353,912.50
2042	750,000	654,000.00	1,404,000.00
2043	790,000	614,625.00	1,404,625.00
2044	895,000	573,150.00	1,468,150.00
2045	985,000	535,112.50	1,520,112.50
2046	1,075,000	493,250.00	1,568,250.00
2047	1,185,000	447,562.50	1,632,562.50
2048	1,265,000	397,200.00	1,662,200.00
2049	1,365,000	331,775.00	1,696,775.00
2050	1,555,000	261,350.00	1,816,350.00
2051	1,670,000	180,975.00	1,850,975.00
2052	1,845,000	95,125.00	1,940,125.00
<b>Totals</b>	<b>\$17,000,000</b>	<b>\$19,850,919.27</b>	<b>\$36,850,919.27</b>

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## Other General Obligation Bonds

In addition to the Bonds, the District has other outstanding series of bonds which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District:

**2004 Authorization.** At an election held on November 2, 2004, the qualified voters of the District approved the issuance of up to \$8,100,000 of bonds of the District (the "2004 Authorization.") The first series of Bonds issued under the 2004 authorization was partially redeemed with proceeds of the 2014 Refunding Bonds (defined below), and the remaining portion has since matured. On March 7, 2006, the District issued its second and final series of bonds under the 2004 Authorization, General Obligation Bonds, Election of 2004, Series 2006 (the "Series 2006 Bonds"), in the aggregate initial principal amount of \$2,599,984.70, consisting of current interest bonds and capital appreciation bonds. The Series 2006 Bonds remain outstanding in the initial principal amount of \$1,279,984.70, consisting of \$510,000 in principal amount of current interest bonds with a final maturity in 2024, and \$769,984.70 denominational amount of capital appreciation bonds, with a maturity value of \$2,900,000 and a final maturity in 2030.

On December 17, 2014, the District issued its 2014 General Obligation Refunding Bonds (the "2014 Refunding Bonds") in the aggregate principal amount of \$4,455,000. The 2014 Refunding Bonds remain outstanding in the principal amount of \$3,125,000.

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## Aggregate Debt Service Schedule

Debt service on all of the District's outstanding general obligation bonds, including the Bonds, assuming no early optional redemptions, is as shown in the following table.

**TABLE 3**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**(Madera County, California)**  
**General Obligation Bonds – Aggregate Debt Service**

Period Ending August 1 <sup>(1)</sup>	2014		The Bonds	Aggregate Debt Service
	Series 2006 Bonds	Refunding Bonds		
2023	\$ 260,400.00	\$ 480,750.00	\$ 719,444.27	\$ 1,460,594.27
2024	280,800.00	494,000.00	838,187.50	1,612,987.50
2025	320,000.00	515,750.00	838,187.50	1,673,937.50
2026	340,000.00	535,500.00	838,187.50	1,713,687.50
2027	370,000.00	553,250.00	838,187.50	1,761,437.50
2028	390,000.00	569,000.00	838,187.50	1,797,187.50
2029	420,000.00	593,250.00	838,187.50	1,851,437.50
2030	1,060,000.00	--	838,187.50	1,898,187.50
2031	--	--	838,187.50	838,187.50
2032	--	--	838,187.50	838,187.50
2033	--	--	1,013,187.50	1,013,187.50
2034	--	--	1,054,437.50	1,054,437.50
2035	--	--	1,093,187.50	1,093,187.50
2036	--	--	1,134,437.50	1,134,437.50
2037	--	--	1,167,937.50	1,167,937.50
2038	--	--	1,213,937.50	1,213,937.50
2039	--	--	1,261,687.50	1,261,687.50
2040	--	--	1,330,937.50	1,330,937.50
2041	--	--	1,353,912.50	1,353,912.50
2042	--	--	1,404,000.00	1,404,000.00
2043	--	--	1,404,625.00	1,404,625.00
2044	--	--	1,468,150.00	1,468,150.00
2045	--	--	1,520,112.50	1,520,112.50
2046	--	--	1,568,250.00	1,568,250.00
2047	--	--	1,632,562.50	1,632,562.50
2048	--	--	1,662,200.00	1,662,200.00
2049	--	--	1,696,775.00	1,696,775.00
2050	--	--	1,816,350.00	1,816,350.00
2051	--	--	1,850,975.00	1,850,975.00
2052	--	--	1,940,125.00	1,940,125.00
<b>Totals</b>	<b>\$3,441,200.00</b>	<b>\$3,741,500.00</b>	<b>\$36,850,919.27</b>	<b>\$44,033,619.27</b>

<sup>(1)</sup> Period ending August 1 includes February 1 and August 1 debt service payments of the same calendar year (if any).



## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

### General

In order to provide sufficient funds for repayment of principal of and interest on the Bonds when due, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of Bonds of the District. The 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 County. No funds of the County are pledged or obligated to repayment of the Bonds.

### 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. 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, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

### Pledge of Tax Revenues and Statutory Lien

Under State law, school districts may levy *ad valorem* property taxes to pay principal and interest on general obligation bond debt that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such voter-approved general obligation bonds. Moreover, State law provides that the *ad valorem* property taxes may be levied to pay the principal and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* property taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to the Resolution, the District has pledged revenues from the *ad valorem* property taxes collected from the levy by the Board of Supervisors to the payment of the Bonds, and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal of or redemption price of and interest on the Bonds (the "Pledge"). This Pledge is valid and binding from the date of adoption of the Resolution for the benefit of the owners of the Bonds and successors thereto. The Pledge provides security for the Bonds in addition to the statutory lien described below. The Bonds, secured by the Pledge, are being issued to provide funds for projects specified in the District's 2022 Authorization. The amounts held in the Interest and Sinking Fund of the District are immediately subject to this Pledge, and the Pledge constitutes a lien and security interest, pursuant to Section 5451 of the California Government Code, which immediately attaches to the property taxes and amounts held in the Interest and Sinking Fund of the District to secure the payment of the Bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the Pledge and without the need of any physical delivery, recordation, filing, or further act.

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the District's payment thereof. Such lien automatically attaches, without further actions or authorization by the District Board, and are valid and binding from the time the Bonds are delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successors, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

The Bonds are general obligations of the District and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledge, no funds or accounts of the District are pledged to payment of the Bonds.

### **Assessed Valuation of Property within the District**

Taxable property located in the District has a 2021-22 total assessed value of \$2,519,709,011. All property (real, personal, and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State 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. See "*State-Assessed Property*" 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 and Adjustments of Assessed Valuation*" below.

***State-Assessed Property.*** Under the State 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 the 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 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 County. The District is unable to predict future transfers of State-assessed property in the District and the 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, including the District.

**Assembly Bill 102.** In 2017, the Legislature passed Assembly Bill 102 (“AB 102”). AB 102 restructured the State Board of Equalization and shifted certain of its duties to two new agencies: the California Department of Tax and Fee Administration (“CDTFA”), and the Office of Tax Appeals. The CDTFA took over certain programs previously handled by the State Board of Equalization, including the Tax Area Services Section, which is responsible for maintaining tax-rate area maps and special district boundary maps. The Office of Tax Appeals took over certain types of appeals on tax and fee matters, such as sales and use tax and other special taxes and fees; however, appeals related to programs under the State Board of Administration’s authority pursuant to the State Constitution will remain with the State Board of Equalization. Pursuant to the State Constitution, and unaffected by AB 102, the State Board of Equalization remains responsible for the review, equalization, or adjustment of property tax assessment, and the measurement of county assessment levels and adjustment of secured local assessment rolls.

**Classification of Locally Taxed Property.** 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.

Under California law, a city or county could, and did, prior to recent California legislation dissolving redevelopment agencies, create a redevelopment agency in territory within one or more school districts. Upon formation of a “project area” of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as “tax increment”) belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area. The application of such revenues diverted by redevelopment agencies is now substantially limited to meeting existing debt service of the redevelopment agencies.

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**Assessed Valuation of Property within the District.** The following table shows a historical summary of assessed valuations for the District.

**TABLE 4**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Assessed Valuation Summary - Fiscal Years 2004-05 through 2021-22**

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>	<b>Annual % Change</b>
2004-05	\$ 836,417,399	\$ 2,378,607	\$ 70,236,978	\$ 909,032,984	
2005-06	973,588,465	2,357,083	73,409,033	1,049,354,581	15.44%
2006-07	1,251,289,505	2,241,748	76,946,067	1,330,477,320	26.79%
2007-08	1,556,458,700	1,327,091	69,479,417	1,627,265,208	22.31%
2008-09	1,678,366,349	1,260,679	86,507,912	1,766,134,940	8.53%
2009-10	1,433,392,550	1,260,679	111,620,246	1,546,273,475	-12.45%
2010-11	1,342,075,025	1,894,227	105,025,340	1,448,994,592	-6.29%
2011-12	1,373,926,606	1,894,227	113,359,339	1,489,180,172	2.77%
2012-13	1,430,939,286	1,894,227	112,845,223	1,545,678,736	3.79%
2013-14	1,505,319,625	1,667,722	124,479,099	1,631,466,446	5.55%
2014-15	1,593,650,788	1,426,822	113,387,741	1,708,465,351	4.72%
2015-16	1,730,729,081	1,426,822	111,896,668	1,844,052,571	7.94%
2016-17	1,874,084,148	1,426,822	123,343,259	1,998,854,229	8.39%
2017-18	1,972,912,402	1,201,038	108,317,113	2,082,430,553	4.18%
2018-19	2,057,806,929	1,201,038	122,359,543	2,181,367,510	4.75%
2019-20	2,153,342,136	1,201,038	125,951,133	2,280,494,307	4.54%
2020-21	2,276,314,201	1,201,038	135,146,990	2,412,662,229	5.80%
2021-22	2,372,145,082	1,201,038	146,362,891	2,519,709,011	4.44%

*Source: California Municipal Statistics, Inc.*

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, 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), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, 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 and Adjustments of Assessed Valuation*” below.

**Proposition 19.** A State constitutional amendment was approved by the State’s voters at the November 3, 2020 election, known as “Proposition 19.” Proposition 19 amended the State Constitution to permit eligible homeowners to transfer tax assessments anywhere in the State, to narrow existing special rules for inherited properties, and to broaden the scope of triggers for reassessment of properties. (See APPENDIX A – “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Article XIII A of the California Constitution” and “–Proposition 19 Ballot Measure.”). The District cannot predict the impact Proposition 19 might have on aggregate assessed value of taxable property in the District.

**Appeals and Adjustments of Assessed Valuation.** 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 activity occurs.

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, in the form prescribed by the State Board of Equalization, 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 "Assessor"), the 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 (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the 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 State 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 measurement is computed on a calendar year basis. According to the Website of the Madera County Assessors' office, the County has in the past, pursuant to Article XIII A of the State Constitution and Proposition 8, 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 the 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* taxes.

***Risk of Impact to Assessed Value Due to Disaster.*** As indicated in the previous tables, assessed valuation of property in the District is subject to change in each year. Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Increases or decreases in assessed value result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, property reclassifications, and man-made or natural disasters such as earthquakes, fires, floods and droughts. Disasters can effect assessed value both through the destruction of taxable property, and through a resulting depression of the real estate market should a disaster impact economic conditions in the County, the region, and/or the State. In recent years, notable disasters in the State included drought conditions statewide, numerous wildfires in different regions of the State, and related flooding and mudslides.

The District may be particularly vulnerable to impacts associated with drought conditions due to the significant agricultural activity in the area of the District. On May 10, 2021, the Governor declared a State of Emergency due to the State facing serious water shortfalls, and ordered State and local agency implementation of certain provisions to adequately respond to drought conditions, specifically expanding the drought proclamation to 41 counties within the State. On July 8, 2021, the Governor expanded the declaration further to include an additional nine counties in the State. On October 19, 2021, the Governor extended the declaration to include the remaining counties, such that the drought State of Emergency is now in effect Statewide.

The District cannot predict future disasters or make any representations regarding the effects that any disasters and related conditions may have on the value of taxable property within the District, the District’s ability to pay debt service on the Bonds, or to what extent the effects of said disasters might have on economic activity in the District or throughout the State.

**COVID-19.** The recent outbreak of the novel strain of coronavirus called COVID-19, which has been designated a global pandemic by the World Health Organization, has impacted local and global economies. The California Department of Public Health and the United States Centers for Disease Control and Prevention have been providing regular updates and guidelines to the public and to State and local governments.

The District cannot predict the extent or duration of the outbreak, or what impact the outbreak and any resulting economic situation might have on the District’s future financial condition or operations, including potential impacts on the assessed values of property within the District. Although the Bonds are payable solely from ad valorem property taxes and not payable from the general fund of the District, the District cannot predict what future impacts the outbreak may have on its operations and budget.

For a discussion regarding other impacts the District may face in connection with the coronavirus pandemic, see “APPENDIX A – INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – Impact to District Operations and Budget Due to Coronavirus Pandemic.”

**Assessed Valuation by Jurisdiction.** The following table shows the District’s fiscal year 2021-22 assessed valuation of property by amount and percentage within the City of Chowchilla and within the unincorporated areas of Madera County.

**TABLE 5**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**2021-22 Assessed Valuation by Jurisdiction**

<b>Jurisdiction:</b>	<b>Assessed Valuation in School District</b>	<b>% of School District</b>	<b>Assessed Valuation of Jurisdiction</b>	<b>% of Jurisdiction in School District</b>
City of Chowchilla	\$ 973,795,397	38.65%	\$ 973,795,397	100.00%
Unincorporated Madera County	1,545,913,614	61.35	12,220,955,067	12.65%
<b>Total District</b>	<b>\$2,519,709,011</b>	<b>100.00%</b>		
Madera County	\$2,519,709,011	100.00%	\$16,945,276,252	14.87%

Source: California Municipal Statistics, Inc.

**Bonding Capacity.** As a non-unified school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District’s fiscal year 2021-22 gross bonding capacity (also commonly referred to as the “bonding limit” or “debt limit”) is approximately \$31,496,362, and its net bonding capacity, prior to the issuance of the Bonds, is approximately \$27,091,378 (taking into account current outstanding debt of \$4,404,985 and the 2021-22 assessed valuation of taxable property within the District of \$2,519,709,011).

*Assessed Valuation by Land Use.* The following table gives a distribution of taxable property located in the District for the fiscal year 2021-22 tax roll by principal purpose for which the land is used, as measured by assessed valuation and number of parcels.

**TABLE 6**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**2021-22 Secured Assessed Valuation and Parcels by Land Use**

	<b>2021-22</b>	<b>% of</b>	<b>No. of</b>	<b>% of</b>
<b><u>Non-Residential:</u></b>	<b><u>Assessed Valuation</u></b> <sup>(1)</sup>	<b><u>Total</u></b>	<b><u>Parcels</u></b>	<b><u>Total</u></b>
Agricultural/Rural	\$1,356,087,017	57.17%	2,603	33.91%
Commercial/Office	113,496,619	4.78	221	2.88
Vacant Commercial	27,533,859	1.16	109	1.42
Industrial	92,483,845	3.90	25	0.33
Vacant Industrial	1,323,215	0.06	7	0.09
Government/Social/Institutional	<u>907,226</u>	<u>0.04</u>	<u>334</u>	<u>4.35</u>
Subtotal Non-Residential	\$1,591,831,781	67.11%	3,299	42.98%
<b><u>Residential:</u></b>				
Single Family Residence	\$727,015,972	30.65%	3,883	50.59%
Mobile Home	4,072,859	0.17	177	2.31
Mobile Home Park	558,618	0.02	1	0.01
2-4 Residential Units	13,184,060	0.56	84	1.09
5+ Residential Units/Apartments	29,562,070	1.25	20	0.26
Miscellaneous Residential	1,603,336	0.07	26	0.34
Vacant Residential	<u>4,316,386</u>	<u>0.18</u>	<u>186</u>	<u>2.42</u>
Subtotal Residential	\$780,313,301	32.89%	4,377	57.02%
<b>Total</b>	<b>\$2,372,145,082</b>	<b>100.00%</b>	<b>7,676</b>	<b>100.00%</b>

<sup>(1)</sup> Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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*Assessed Valuation of Single-Family Homes.* The following table shows the distribution of assessed valuation of single-family homes in the District among various categories of value for fiscal year 2021-22, including mean and median value per parcel.

**TABLE 7**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Per Parcel Assessed Valuation of Single Family Homes**  
**Fiscal Year 2021-22**

	<b>No. of Parcels</b>	<b>2021-22 Assessed Valuation</b>	<b>Average Assessed Valuation</b>	<b>Median Assessed Valuation</b>
Single Family Residential	3,883	\$727,015,972	\$187,230	\$172,590

  

<b>2021-22 Assessed Valuation</b>	<b>No. of Parcels</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$0 - \$24,999	69	1.777%	1.777%	\$ 1,192,615	0.164%	0.164%
\$25,000 - \$49,999	243	6.258	8.035	9,518,162	1.309	1.473
\$50,000 - \$74,999	306	7.881	15.916	19,314,775	2.657	4.130
\$75,000 - \$99,999	372	9.580	25.496	32,660,969	4.492	8.622
\$100,000 - \$124,999	384	9.889	35.385	43,745,271	6.017	14.640
\$125,000 - \$149,999	301	7.752	43.137	41,101,216	5.653	20.293
\$150,000 - \$174,999	304	7.829	50.966	49,514,679	6.811	27.104
\$175,000 - \$199,999	339	8.730	59.696	63,532,537	8.739	35.842
\$200,000 - \$224,999	245	6.310	66.006	51,824,852	7.128	42.971
\$225,000 - \$249,999	295	7.597	73.603	70,055,448	9.636	52.607
\$250,000 - \$274,999	240	6.181	79.784	62,855,351	8.646	61.253
\$275,000 - \$299,999	166	4.275	84.059	47,712,398	6.563	67.815
\$300,000 - \$324,999	140	3.605	87.664	43,658,488	6.005	73.820
\$325,000 - \$349,999	144	3.708	91.373	48,555,782	6.679	80.499
\$350,000 - \$374,999	103	2.653	94.025	37,039,280	5.095	85.594
\$375,000 - \$399,999	66	1.700	95.725	25,387,341	3.492	89.086
\$400,000 - \$424,999	48	1.236	96.961	19,794,340	2.723	91.809
\$425,000 - \$449,999	28	0.721	97.682	12,181,299	1.676	93.484
\$450,000 - \$474,999	28	0.721	98.403	12,889,833	1.773	95.257
\$475,000 - \$499,999	20	0.515	98.918	9,681,458	1.332	96.589
\$500,000 and greater	<u>42</u>	<u>1.082</u>	100.000	<u>24,799,878</u>	<u>3.411</u>	100.000
	<b>3,883</b>	<b>100.000%</b>		<b>\$727,015,972</b>	<b>100.000%</b>	

<sup>(1)</sup> Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.  
Source: California Municipal Statistics, Inc.

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**Largest Taxpayers in District.** The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses, in that a taxpayer's financial situation and ability or willingness to pay property taxes may have a larger impact on the property tax collections within the District. The twenty taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2021-22 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

**TABLE 8**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Largest Secured Taxpayers**  
**Fiscal Year 2021-22**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2021-22 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1.	John Hancock Life Insurance Company	Agricultural	\$ 62,344,563	2.63%
2.	Asellus Madera Vitis LLC	Agricultural	48,883,958	2.06
3.	Costa View Farms #2	Agricultural	41,155,468	1.73
4.	Arnold CA LLC	Agricultural	39,543,538	1.67
5.	Creskide Land Co LLC	Agricultural	39,393,698	1.66
6.	Certainteed Corporation	Industrial	38,030,406	1.60
7.	Wine Group LLC	Industrial	33,539,946	1.41
8.	Pacific Orchards LLC	Agricultural	29,700,706	1.25
9.	Hooker Ranch LP	Agricultural	27,841,615	1.17
10.	Bouwdewyn C & Darcy Vlot, Trustees	Agricultural	26,991,815	1.14
11.	Fagundes Dairy	Agricultural	24,783,929	1.04
12.	N & W Land Co. LLC	Agricultural	24,705,657	1.04
13.	Duane and Andrea Blech, Trustees	Agricultural	20,911,900	0.88
14.	F. Russell and Anne M. Harris	Agricultural	17,733,221	0.75
15.	Taylor Creek Farms	Agricultural	17,010,698	0.72
16.	Agriland Holding Inc.	Agricultural	16,774,801	0.71
17.	Britz Ag Finance Co., Inc.	Agricultural	16,532,409	0.70
18.	Campos Bros. Farms	Agricultural	16,242,956	0.68
19.	Danny and Sharon Maddalena	Agricultural	15,633,829	0.66
20.	Bulldog Almonds LLC	Agricultural	<u>15,451,435</u>	<u>0.65</u>
			\$573,206,548	24.16%

<sup>(1)</sup> 2021-22 local secured assessed valuation: \$2,372,145,082.

Source: California Municipal Statistics, Inc.

### Tax Rates

The State Constitution permits the levy of an *ad valorem* 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 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 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), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, outbreak of disease, fire, 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 of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The following table shows *ad valorem* property tax rates in a typical Tax Rate Area in a typical Tax Rate Area (TRA 1-001) within the District over the period from 2017-18 through 2021-22.

**TABLE 9**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 1-001) <sup>(1)</sup>**  
**Fiscal Years 2017-18 through 2021-22**

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
Chowchilla Elementary School District	.025803	.024378	.025791	.015008	.028239
Chowchilla Union High School District	.024619	.023187	.023691	.023371	.026417
Merced Community College District SFID No.1	<u>.012600</u>	<u>.011600</u>	<u>.012500</u>	<u>.011700</u>	<u>.012200</u>
Total Tax Rate	1.063022	1.059165	1.061982	1.050079	1.066856

<sup>(1)</sup> 2021-22 assessed valuation of TRA 1-001 is \$561,090,437 which is 22.27% of the district's total assessed valuation.

Source: California Municipal Statistics, Inc.

### Teeter Plan

The Board of Supervisors of the County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which a county acts as "bank," and certain other public agencies and taxing areas located in a county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk, which in turn makes it more certain that sufficient funds will be available for the District's repayment of the Bonds.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a *pro rata* adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the county as an interest-free offset against future advances of tax levies under the Teeter Plan.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

The Teeter Plan applies to the 1% general purpose tax levy on secured property. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of local agencies, varies by county. Madera County includes the District's general obligation bond levy under the Teeter Plan. Therefore, the District's receipt of secured property taxes with respect to the District's general obligation bonds, including the Bonds, are not subject to delinquencies. If the Teeter Plan for Madera County was terminated, the amount of the levy of *ad valorem* secured property taxes in the District would depend upon the collections of the *ad valorem* secured property taxes and delinquency rates experienced with respect to the parcels within the District.

If the Teeter Plan for the County was terminated, the amount of the levy of *ad valorem* secured property taxes in the District would depend upon the collections of the *ad valorem* secured property taxes and delinquency rates experienced with respect to the parcels within the District.

### **Tax Charges and Delinquencies**

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 State statutes enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

County treasurers prepare 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 \$30 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$25 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 county treasurers.

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 county 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 county tax collector may also bring a civil suit against the taxpayer for payment. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

## Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc., dated July 19, 2022, for debt as of July 1, 2022. 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 shows 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 shown in the table) produces the amount shown 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.

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**TABLE 11**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Statement of Direct and Overlapping Bonded Debt**

2021-22 Assessed Valuation:      \$2,519,709,011

<u><b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b></u>	<u><b>% Applicable</b></u>	<u><b>Debt 7/1/22</b></u>
Merced Community College District School Facilities Improvement District No. 1	11.641%	\$ 4,071,440
<b>Chowchilla Union High School District</b>	<b>100.000</b>	<b>4,919,985 <sup>(1)</sup></b>
Chowchilla Elementary School District	100.000	12,210,000
City of Chowchilla Community Facilities District No. 2006-1, I.A. 1	100.000	6,105,000
City of Chowchilla 1915 Act Bonds	100.000	<u>2,966,300</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$30,272,725</b>
<u><b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b></u>		
Madera County Certificates of Participation	14.870%	\$10,689,178
Madera County Board of Education Certificates of Participation	14.870	2,988,430
<b>Chowchilla Union High School District Certificates of Participation</b>	<b>100.000</b>	<b>1,380,000</b>
City of Chowchilla General Fund Obligations	100.000	7,160,000
City of Chowchilla Pension Obligation Bonds	100.000	<u>9,730,000</u>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$31,947,608</b>
<u><b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</b></u>		<b>\$ 4,940,000</b>
<b>COMBINED TOTAL DEBT</b>		<b>\$67,160,333 <sup>(2)</sup></b>

(1) Excludes the Bonds described in this Official Statement.

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

Ratios to 2021-22 Assessed Valuation:

<b>Direct Debt (\$4,919,985)</b> .....	<b>0.20%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.20%
<b>Combined Direct Debt (\$6,299,985)</b> .....	<b>0.25%</b>
Combined Total Debt .....	2.67%

Ratio to Redevelopment Incremental Valuation (\$212,491,841):

Total Overlapping Tax Increment Debt .....	2.32%
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Source: California Municipal Statistics, Inc.

**THE COUNTY OF MADERA INVESTMENT POOL**

*The following information concerning the County of Madera Commingled Investment Pool (the "Investment Pool" or "Pool") has been obtained from the Madera County website (<http://www.maderacounty.com>) and has not been confirmed or verified by the District or the Underwriter. The website is not incorporated herein by reference. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

The Madera County Board of Supervisors approved the current County Investment Policy of the Commingled Investment Pool (the "Investment Policy") on June 9, 2022 (See "APPENDIX F — MADERA COUNTY INVESTMENT POLICY AND PORTFOLIO SUMMARY"). The Investment Policy applies to all financial assets deposited and retained in the Investment Pool. The primary investment objectives for the Pool, per the Investment Policy, are safety/legality, liquidity, and yield, in that order.

An independent audit of the Investment Pool is conducted annually as required by Sections 27130 through 27137 of California Government Code and the Investment Policy. All audit reports, and the quarterly Treasurer's Investment Reports are available online at <https://www.maderacounty.com/government/treasurer-tax-collector/treasury-services/monthly-investment-report-and-investment-policy> (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement).

The District's funds held by the County Treasurer are invested in the Investment Pool. As of June 30, 2022, the market value of the Pool was \$746,832,426, with an average 725 days to maturity. See "APPENDIX F – MADERA COUNTY INVESTMENT POLICY AND PORTFOLIO SUMMARY."

*None of the District, the Financial Advisor or the Underwriter has made an independent investigation of the investments in the Pool nor have they made any assessment of the current County Investment Policy. The value of the various investments in the 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, the County Board of Supervisors may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.*

## TAX MATTERS

**Tax Exemption.** In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however, to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. In addition, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. Bond Counsel is of the further opinion that interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

The proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income, and is exempt from State of California personal income taxes, to the extent properly allocable to each owner thereof, subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the bonds on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such bonds to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such bond. The Tax Code contains certain provisions

relating to the accrual of original issue discount in the case of purchasers of the bonds who purchase the bonds after the initial offering of a substantial amount of such maturity. Owners of such bonds should consult their own tax advisors with respect to the tax consequences of ownership of bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of a premium bond (said term being the shorter of such bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the Owner of such bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a bond is amortized each year over the term to maturity of the bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such bonds.

***Other Tax Considerations.*** The Tax Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, future legislative proposals could limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarifications of the Tax Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond

Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Tax Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Tax Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

## CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system or such other electronic system designated by the MSRB (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than each March 31 following the District's fiscal year end of June 30, commencing with the report for the 2021-22 fiscal year (which is due no later than March 31, 2023), and notice of the occurrence of certain enumerated events ("Listed Events") within ten (10) business days after the occurrence of such a Listed Event. The specific nature of the information to be contained in the Annual Report and the notices of Listed Events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission.

The District has existing disclosure obligations pursuant to the Rule, in connection with the prior issuance of general obligation bonds and refunding general obligation bonds. During the five years preceding the date of this Official Statement, the District timely and completely filed each Annual Report and timely filed all event notices, with respect to its continuing disclosure undertakings, to the best of its knowledge.

The District has developed appropriate written policies and procedures and established periodic training regarding continuing disclosure obligations pursuant to the Rule. A failure by the District to comply with an undertaking will not constitute an event of default with respect to the Bonds. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "A+" to the Bonds.

Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained only from S&P. Such rating is not a recommendation to buy, sell, or hold the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies, and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised



downward or withdrawn entirely by S&P, if in its judgment circumstances so warrant. The District undertakes no responsibility either to bring to the attention of the owners of the Bonds any downward revision or withdrawal of any ratings obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

## **OTHER LEGAL MATTERS**

### **Legal Opinions**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Bonds at the time of issuance substantially in the form set forth in APPENDIX D hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Lozano Smith, LLP, Sacramento, California, as Disclosure Counsel to the District, and for the Underwriter by Jones Hall, A Professional Law Corp., San Francisco, California.

### **Legality for Investment in California**

Under the provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the 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 Bonds are eligible securities for deposit of public moneys in the State.

### **No Material Litigation**

No litigation is pending or threatened concerning or contesting the validity of the Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the 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 Bonds or District officials who will sign certifications relating to the 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 Bonds.

The District is occasionally subject to lawsuits and claims. 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.

### **Possible Limitations on Remedies**

State law contains a number of safeguards to protect the financial solvency of school districts. If the safeguards are not successful in preventing a school district from becoming insolvent, the county superintendent of schools, operating through an administrator appointed by the county superintendent of schools with concurrence from the State Superintendent of Public Instruction (the "State Superintendent") and the President of the State Board of Education, may be authorized under State law to file a petition for relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of a school district for the adjustment of its debts. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, then the application of *ad valorem* property taxes to pay the Bonds could be stayed during the proceeding (unless they are

determined to be “special revenues” within the meaning of the Bankruptcy Code and not derived from District projects), and it is possible that the terms of the Bonds and Resolution (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the Bankruptcy Code. Bankruptcy courts are courts of equity with broad discretionary powers, and their decisions can be heavily influenced by the facts in a case, including whether commingled *ad valorem* property tax revenues can be identified, and the overall goal of the Bankruptcy Code to facilitate an adjustment of debts. A bankruptcy proceeding, if initiated on behalf of the District, could have an adverse effect on the liquidity and value of the Bonds.

The County, on behalf of the District, is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County Investment Pool, as described in “THE COUNTY OF MADERA INVESTMENT POOL” herein and APPENDIX F – “MADERA COUNTY INVESTMENT POLICY STATEMENT AND QUARTERLY REPORT” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

## MISCELLANEOUS

### **Professionals Involved in the Offering**

Lozano Smith, LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Bonds, and will receive compensation contingent upon the sale and delivery of the Bonds.

Dale Scott & Company Inc., San Francisco, California, (the “Financial Advisor”), has been employed by the District to perform financial services in relation to the sale and delivery of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The Financial Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Fees charged by the Financial Advisor are contingent upon the sale of the Bonds.

Jones Hall, A Professional Law Corp., San Francisco, California, is acting as Underwriter’s Counsel with respect to the Bonds, and will receive compensation contingent upon the sale of the Bonds.

The District has appointed U.S. Bank Trust Company, National Association, a national banking association organized under the laws of the United States, to serve as Paying Agent for the Bonds. The Paying Agent is to carry out those duties assignable to it under the Resolution and other documents related to the Bonds. Except for the contents of this section, the Paying Agent has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Resolution or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

## **Underwriting**

The Bonds are being purchased for reoffering to the public by RBC Capital Markets, LLC, (the “Underwriter”) pursuant to the terms of a bond purchase agreement by and between the Underwriter and the District (the “Bond Purchase Agreement”). Pursuant to the Bond Purchase Agreement, the Underwriter has agreed to purchase the Bonds at a price of \$17,763,390.65 (equal to the principal amount of Bonds plus original issue premium of \$818,640.65, and less Underwriter’s discount of \$55,250.00).

The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds (if any are purchased), subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

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## APPENDIX A

### INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

*The information in this appendix concerning the operations of the Chowchilla Union High 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 of or interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable solely from the proceeds of an ad valorem property tax that is pledged to repayment of the Bonds and is required to be levied by the County of Madera (the "County") on all taxable property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front portion of this Official Statement.*

### THE DISTRICT

#### Introduction

The Chowchilla Union High School District was established as a school district in 1916. The District is located in the northern portion of Madera County, California, and serves the community of Chowchilla and the outlying area. The District encompasses approximately 110 square miles serving approximately 1,138 high school (grades 9-12) students. The District currently operates one high school and one continuation high school.

The District employs approximately 119 full and part-time faculty and staff. The District has a resident population of approximately 23,000 people. The 2021-22 assessed valuation of taxable property in the District is \$2,519,709,011.

Unless otherwise indicated, the following financial, statistical, and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Chowchilla Union High School District, 805 Humboldt Avenue, Chowchilla, California 93610, Attn: Business Services Department.

#### Administration

The District is governed by a five-member Board of Trustees (the "District Board"), each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions. Current members of the District Board, together with their office and the date their term expires, are listed below:

**TABLE A-1  
CHOWCHILLA UNION HIGH SCHOOL DISTRICT  
BOARD OF TRUSTEES**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Charlene Espinola	President	November 2022
Mr. Brandon Moore	Clerk	November 2024
Mr. Joe Botelho	Member	November 2024
Mr. Mike Cargill	Member	November 2022
Mr. Pat DeWall	Member	November 2022

The District's administrative and financial staff includes a Superintendent and a Director of Business Services. Their biographies are listed below:

***Dr. Justin Miller, Superintendent.*** Dr. Miller joined the District in July of 2021. Previously, Dr. Miller worked for the Dos Palos Oro-Loma Unified School District as the Superintendent and, prior to that, served as High School Principal for the Chowchilla Union High School District. Dr. Miller earned a Doctoral Degree from California State University, Fresno, and holds an Administrative Services Credential.

***Margarita Yamasaki, Director of Business Services.*** Mrs. Yamasaki joined the District in July of 2011. She has served the District as the Director of Business Services since July of 2019. Previously, she served as the District's HR Coordinator from July 2011 through June 2019. Mrs. Yamasaki earned a Bachelor's Degree from National University, holds a BA in Business with minor in Human Resources, and holds a CBO Certification from the California Associations of School Business Officials.

### **Impact to District Operations and Budget Due to Coronavirus Pandemic**

The outbreak in the early months of 2020 of a novel strain of coronavirus which causes a respiratory illness known as COVID-19, has been designated a global pandemic by the World Health Organization. The global and local response to the pandemic, including efforts to prevent or slow transmission of the virus, has impacted local and global economies. The California Department of Public Health, the United States Centers for Disease Control and Prevention, and various local health officials, have been providing regular updates and guidelines to the public and to State and local governments.

Although, to date, widespread administration of vaccinations has slowed the spread of the virus in California and the United States, the outbreak is ongoing and District cannot predict what future impacts the outbreak may have on its operations and budget. The District cannot predict future costs associated with a potential infectious disease outbreak such as operational costs to clean, sanitize, and maintain its facilities either before or after an outbreak of an infectious disease, or costs to hire substitute certificated or classified employees. The District also cannot predict what long-term impact the COVID-19 pandemic and potential school closures and shelter-in place orders by State and local officials in response to the pandemic, might have on the District's ADA, which is the primary factor in determining the amount of funding the District receives from the State. Note, however, that the Bonds are payable from *ad valorem* property taxes. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front part of this Official Statement.

***State and Federal Relief Legislation.*** On March 16, 2020, and at the request of the Governor, the California Legislature presented two bills for the Governor's signature addressing economic impacts to public school districts resulting from the outbreak, including school closures implemented by school districts in order to slow the spread of the outbreak. On March 17, 2020, both bills, Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117") were signed by the Governor. Each bill took effect immediately.

SB 89 amended the Budget Act of 2019 by appropriating \$500 million from the State General Fund for any purpose related to the Governor's March 4 Emergency Proclamation. The second bill, SB 117, addressed economic impacts to school districts directly. Among other things, SB 117 provided that, for all school districts that complied with Executive Order N-26-20, attendance during only full school months from July 1, 2019 to February 29, 2020, inclusive, would be reported for apportionment purposes. SB 117 also held harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak. SB 117 also held harmless grantees operating After School Education and Safety Programs that were prevented from operating such programs due to COVID-19, and credited such Program grantees with the ADA that the grantee would have received had it been able to operate but for COVID-19. SB 117 also appropriated \$100 million from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment or paying for supplies and labor related to cleaning school sites, or both.

Senate Bill 98 (“SB 98”), the education omnibus trailer bill, part of the legislation enacting the 2020-21 State Budget, included an additional ADA hold-harmless provision, specifying that LCFF funding determinations for the 2020-21 school year will be based on 2019-20 ADA levels.

On December 30, 2020, the Governor unveiled the “Safe Schools for All Plan,” pledging to work with the State Legislature to implement up to \$2 billion in funding for the safe reopening of schools beginning in February 2021. Funding for the Safe Schools for All Plan was included in the Governor’s 2021 State Budget Proposal, released on January 8, 2021, which urged the Legislature to take immediate action on this item, rather than wait until implementation of the 2021-22 State Budget later that summer. On March 5, 2021, the Governor signed Assembly Bill 86 (“AB 86”), the final legislation for the Safe Schools for All Plan, which provided \$2 billion for in person instruction grants, and \$4.6 billion for expanded learning opportunity grants to local educational agencies. AB 86 went into effect immediately. (See also “STATE BUDGET” in this APPENDIX A.)

To date, Congress has passed a number of relief bills and taken administrative actions in response to the COVID-19 pandemic, including, but not limited to, the following:

- On March 22, 2020, then-President Trump approved the Major Disaster Declaration for the State of California’s COVID-19 pandemic, authorizing federal emergency aid related to COVID-19. Local educational agencies may submit a request for public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19.
- On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “Cares Act”). The Cares Act appropriated approximately \$2 trillion in COVID-19-related relief, including \$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 is based on the proportion of Title I funding received for the fiscal year ending prior to the grant, for purposes authorized by federal law and other specified uses.
- On December 27, 2020, President Trump signed the 2021 omnibus appropriations bill, which included a \$900 billion COVID-19 relief package in addition to its annual federal agency appropriations. This bill extended the date by which state and local governments, including school districts, must spend CARES Act funding.
- On March 10, 2021, President Biden signed into law the “American Rescue Plan,” a \$1.9 trillion COVID-19 relief package. The American Rescue Plan provides \$168 billion in education funding, including \$126 billion for K-12 schools.

***District Response and Impacts.*** In the early stages of the pandemic, in March of 2020, in its own response to COVID-19, and out of concern for the health and safety of its students, staff, and community, the District closed its schools for the remainder of the 2019-20 academic year and implemented a distance learning plan for its students. For the 2020-21 academic year, the District delivered educational services via distance learning for a majority of its student population, and also offered independent study. For the 2021-22 academic year, the District schools provided regular-day in-person instruction, pursuant to State and local health guidelines and guidance, and is currently providing in-person instruction for the 2022-23 school year.

To date, the District has been allocated and has received approximately \$4,716,582 in State and federal relief funding and emergency aid, including under SB 117, the CARES Act, and the American Rescue Plan, to address impacts of the COVID-19 outbreak. In addition, the District expects to receive approximately \$2,148,350 in similar funding, to be received over the next two fiscal years. The relief funding is accounted for as one-time revenues, though certain of the revenues are permitted to be spent in future fiscal years.

The District cannot predict whether additional legislation will be enacted in the future if the COVID-19 pandemic continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future. Because the District is funded primarily pursuant to the State’s education funding formula known as LCFF, the District’s main operating revenues will be impacted by the State’s financial position in the current and future fiscal years. Should the pandemic continue and/or escalate into the future, the State’s revenues may decline, and a corresponding decline in education funding is possible, but the extent is not fully known at this time. See below under the heading “STATE BUDGET” for information on the State’s fiscal years 2021-22 and 2022-23 budgets.

Notwithstanding the impacts the coronavirus outbreak may have on the global and national economy, the economy in the State, in the District, or on the District’s operations and revenues, the Bonds described herein are voter-approved general obligations of the District payable from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount.

**Labor Relations**

As of July 1, 2022, the District employed 119 employees in the following classifications:

<u>Employee Classification</u>	<u>Number of Employees</u>
Certificated Management	10
Certificated Teachers (CTA)	50
Certificated Support	4
Classified Management	6
Classified Confidential	4
Classified (CSEA)	45
<b>Total</b>	<b>119</b>

*Source: The District.*

The certificated teachers are represented for labor relations purposes by the Chowchilla Teachers’ Association, Chapter 126 (“CTA”) and the District’s current collective bargaining agreement with CTA expires June 30, 2024. The classified employees are represented for labor relations purposes by the California School Employees’ Association, Chapter 409 (“CSEA”) and the District’s current collective bargaining agreement with CSEA expires June 30, 2023. By law, each contract remains in effect until a new agreement is reached.

For the fiscal year ended June 30, 2021, the total certificated and classified payrolls were approximately \$4.8 million and \$1.9 million, respectively. For fiscal year 2021-22, the District expended an estimated (not yet audited) \$5.9 million and \$2.2 million for certificated and classified payrolls, respectively. For the upcoming fiscal year 2022-23, the District has budgeted approximately \$6.1 million and \$2.5 million for certificated and classified payrolls, respectively.

**Retirement Benefits**

*The information set forth below regarding the CalSTRS and CalPERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by either the District or the Underwriter.*

The District participates in retirement plans with the State Teachers’ Retirement System (“CalSTRS”), which covers all full-time District faculty members, and the State Public Employees’ Retirement System (“CalPERS”), which covers classified employees. Classified District personnel who are employed more than half of full-time service may participate in CalPERS.



Each of CalSTRS and CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: [www.calstrs.com](http://www.calstrs.com); (ii) CalPERS: [www.calpers.ca.gov](http://www.calpers.ca.gov). *The information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.*

**District Contributions.** The following table sets forth the District’s total contributions to CalSTRS and CalPERS for fiscal years 2015-16 through 2021-22, the District’s projected (budgeted) contributions for fiscal year 2022-23, and the percentage of the District’s total general fund expenditures represented by such aggregated contributions. For more information regarding the District’s retirement benefits obligations, see APPENDIX C – “ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021, Note M. Pension Plans” herein.

**TABLE A-2**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Aggregate Employer Contributions to CalSTRS and CalPERS**  
**Fiscal Years 2015-16 through 2022-23**

<b>Fiscal Year</b>	<b>District CalSTRS Contributions <sup>(1)</sup></b>	<b>District CalPERS Contributions <sup>(1)</sup></b>	<b>District Contribution (CalSTRS and CalPERS Combined) as Percentage of Total General Fund Expenditures</b>
2015-16	\$ 410,167	\$190,804	
2016-17	564,500	254,451	6.4%
2017-18	675,589	299,693	7.4
2018-19	746,913	422,830	8.0
2019-20	782,167	488,374	8.5
2020-21	698,135	475,028	8.1
2021-22	918,947	496,930	7.0
2022-23 <sup>(2)</sup>	1,123,402	700,231	9.1

<sup>(1)</sup> Reflects data for all District funds, including the District’s general fund. Does not include on-behalf payments from the State.

<sup>(2)</sup> Projected.

*Source: The District’s Audit Reports for fiscal years 2015-16 through 2020-21, the District’s 2022-23 adopted budget, and the District’s 2022-23 45-day budget update.*

**CalSTRS.** All full-time certificated employees, as well as certain classified employees, are members of CalSTRS. CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the “CalSTRS Defined Benefit Program”). The CalSTRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, CalSTRS contribution rates did not vary annually to make up funding shortfalls or assess credits for actuarial surpluses, although the State did, and does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as “pre-enhancement benefits”) within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As part of the 2014-15 State Budget, the then-Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25%

to 8.88% of covered payroll. Such rate then increased by 1.85% beginning in Fiscal Year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013, effective July 1, 2016. On July 1, 2018, however, for members hired on or after January 1, 2013, the rate for members hired on or after January 1, 2013, increased from 9.205% of pay to 10.205% of pay, and has remained at that level through 2021-22.

The State also contributes to CalSTRS, and the State's total contribution also increased from approximately 3% in Fiscal Year 2013-14 to 8.328% of payroll in fiscal year 2022-23, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program, for a total State contribution rate of 10.828%.

The funding plan enacted through AB 1469 and related legislation provides the State Teachers Retirement Board (the "STRS Board") with authority to modify, based upon recommendations from its actuary, the percentages paid by employers and employees starting in 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded actuarial obligation by June 30, 2046, provided that the employer contribution rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to CalSTRS are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. The STRS Board also has authority to reduce employer and State contributions if they are no longer necessary.

AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the CalSTRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the unfunded liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher's Retirement Fund for CalSTRS to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. Subsequently, the State's 2020-21 Budget redirected \$2.3 billion previously appropriated to CalSTRS and CalPERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rates were 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22.

As of June 30, 2021, the actuarial valuation (the "2021 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$89.7 billion, based on an actuarial value of assets, a significant decrease of approximately \$16 billion from the June 30, 2020 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2021, and June 30, 2020, based on the actuarial assumptions, were approximately 73.0% 67.1%, respectively. According to the 2021 CalSTRS Actuarial Valuation, the funded ratio increased by 5.9% during the past year.

As shown in the below table, the employer contribution rate projected for fiscal year 2022-23 is 19.1% of covered payroll. The effective employer contribution rates, as adjusted/reduced by State appropriations, from fiscal year 2014-15 through 2021-22, are shown in the following schedule:

**TABLE A-3**  
**K-14 SCHOOL DISTRICT CONTRIBUTION RATES**  
**CalSTRS (Defined Benefit Program)**

Effective Date	Employer Contribution Rate <sup>(1)</sup>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	17.10 <sup>(2)</sup>
July 1, 2020	16.15 <sup>(3)</sup>
July 1, 2021	16.92
July 1, 2022	19.10 <sup>(4)</sup>

<sup>(1)</sup> Expressed as a percentage of covered payroll.

<sup>(2)</sup> The 2019-20 State Budget provided supplemental payments to CalSTRS, reducing the employer contribution rate from 18.13% to 17.10% for fiscal year 2019-20.

<sup>(3)</sup> The 2020-21 State Budget reallocated the supplemental State payment allocated in the 2019-20 State Budget, to instead be used solely to reduce employer contribution rates, to approximately 16.15% in fiscal year 2020-21.

<sup>(4)</sup> Projected.

Source: CalSTRS, AB 1469, the 2019-20 State Budget, and the 2020-21 State Budget.

The District's total employer contributions to CalSTRS for fiscal years 2015-16 through 2021-22 were equal to 100% of the required contributions for each year (see Table A-2 above). Due to the expected increase in employer contribution rates under AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

**CalPERS.** The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws.

All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the 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. Accordingly, the District cannot provide any assurances that its required contributions to CalPERS in future years will not significantly vary from any current projected levels.

Active plan members hired before January 1, 2013 are required to contribute 7.0% of their salary, members hired after January 1, 2013, contribute at an actuarially determined rate, which was 6% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18 and 7.00% in fiscal year 2018-19 through 2021-22. (See discussion of rates in *California Public Employees' Pension Reform Act of 2013* below.) The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration (the "CalPERS Board"). On April 18, 2022, the CalPERS Board increased the fiscal year 2022-23 employee contribution rate for members subject to the Reform Act from 7.00% of earnings to 8.00%.

School districts are required to contribute to CalPERS at an actuarially determined rate. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions

in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the employer contribution adopted for fiscal year 2021-22 was 25.2%, with annual adjustments thereafter, resulting in a projected 22.6% employer contribution rate for fiscal year 2026-27. State legislation enacting the 2020-21 State Budget reallocated State contributions to the Schools Pool, resulting in adjusted CalPERS employer contribution rates reduced from the adopted/projected rates, to 20.70% in fiscal year 2020-21 and 23.00% in fiscal year 2021-22.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2021 (the “2021 CalPERS Schools Pool Actuarial Valuation”), was presented in summary form to the CalPERS Board on April 18, 2022, and such summary reported an actuarial accrued liability of \$104.06 billion with the market value of assets at \$71.4 billion, and a funded status of 68.6%. The actuarial funding method used in the 2021 CalPERS Schools Pool Actuarial Valuation is the “Entry Age Normal Cost Method.” The 2020 CalPERS Schools Pool Actuarial Valuation as summarized reflects a discount rate of 6.8% compounded annually (net of administrative expenses) as of June 30, 2021.

On April 18, 2022, the CalPERS Board set the fiscal year 2022-23 employer contribution rate at 25.37%. Employer contribution rates for 2020-21 and projected through 2027-28 are shown in the following table.

**TABLE A-4  
EMPLOYER CONTRIBUTION RATES  
CALPERS**

Fiscal Year	Employer Contribution Rate <sup>(1)</sup>
2020-21	20.7%
2021-22	23.0
2022-23	25.4
2023-24 <sup>(2)</sup>	25.2
2024-25 <sup>(2)</sup>	24.6
2025-26 <sup>(2)</sup>	23.7
2026-27 <sup>(2)</sup>	22.6
2027-28 <sup>(2)</sup>	22.6

Note: The CalPERS Board is expected to approve official employer contribution rates for each fiscal year, during the preceding fiscal year.

<sup>(1)</sup> Expressed as a percentage of covered payroll.

<sup>(2)</sup> Projected.

Source: CalPERS

The District’s contributions to CalPERS for fiscal years 2015-16 through 2021-22 equaled 100% of the required contributions for each year (see Table A-2 above). The District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased into CalPERS actuarial assumptions.

**Potential Impact of COVID-19 on Pension Liabilities.** The economic consequences of the COVID-19 pandemic, including the potential for volatility in the U.S. and global stock markets, could have a material impact on the investments in the State pension trusts, which could materially increase either or both CalSTRS’ and CalPERS’ unfunded pension liabilities, which, in turn, could result in material changes to the required employer contribution rates in future fiscal years. As to CalSTRS, however, under existing law, the CalSTRS Board may not increase the employer contribution rate by more than 1% in any fiscal year, up to a maximum employer contribution rate of 20.25%.

The District is unable to predict whether or to what extent its required employer contribution rates, or its proportionate share of net pension liability, in connection with CalSTRS or CalPERS, may be affected by the COVID-19 pandemic.

**California Public Employees' Pension Reform Act of 2013.** The Governor signed the California Public Employees' Pension Reform Act of 2013 ("PEPRA") into law on September 12, 2012. PEPRA affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "Implementation Date"). As it pertains to CalSTRS participants hired after the Implementation Date, PEPRA changes the normal retirement age, increasing the eligibility for the 2% "age factor" (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, PEPRA changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in Social Security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

**GASB 67 and 68.** In June 2012, the Government Accounting Standards Board ("GASB") approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements changed how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaced the requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaced the requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replaced the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs are now shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are now required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities are now required to be used for certain purposes of the financial statements, which generally increased pension expenses. Statement Number 67 took effect in fiscal years beginning after June 15, 2013, and Statement Number 68 took effect in fiscal years beginning after June 15, 2014.

As of June 30, 2021, the District's proportionate share of net CalSTRS pension liability was \$8,149,450, and the District's proportionate share of net CalPERS pension liability was \$5,252,630. The District's proportionate share of net pension liability for each plan is based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. For further information regarding the District's net pension liability, see also "APPENDIX C - AUDIT REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021, Note M – Pension Plans."

## **Other Post-Employment Benefits**

**Plan Description.** In addition to the retirement plan benefits with CalSTRS and CalPERS discussed above, the District provides certain other post-employment benefits (“OPEB”), in accordance with District employment contracts. The Plan provides up to three years of post-employment health care benefits to certificated employees who retire from the District on or after attaining age 55 with at least 10 continuous years of service in the District. As of June 30, 2021, Membership of the Plan consists of approximately seven retirees and beneficiaries currently receiving benefits and approximately 103 active plan members.

The contribution requirements of plan members and the District are established and may be amended by the District and the employee labor groups. The actual amount contributed to the Plan annually is based on projected pay-as-you-go financing requirements. For fiscal year 2020-21, the District contributed \$69,284 to the Plan, all of which was used for current premium payments on behalf of retired employees.

The District’s total OPEB liability associated with the Plan, as of June 30, 2021, was \$1,579,410 based on an actuarial valuation date of July 1, 2019, brought forward to the measurement date using standard update procedures.

For further information regarding the District’s Post-Employment Benefits, see also “APPENDIX C - AUDIT REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021, Note N –Post-Employment Benefits Other Than Pension Benefits.”

## **Public Entity Risk Pools and Joint Power Authorities**

The District participates in joint ventures under joint powers agreements (JPAs) with the California Risk Management Authority and Self-Insured Schools of California III. The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for financial reporting purposes. Condensed audited financial information for the above JPAs (the most current information available) can be obtained through each respective authority.

In at least the past three years, no claim settled under the Districts JPA agreements has exceeded the coverage amounts.

## **DISTRICT FINANCIAL INFORMATION**

*The following selected financial information provides a brief overview of the District’s finances. This financial information has been extracted from the District’s audited financial statements and, in some cases, from unaudited information provided by the District’s Finance Department. The District’s most recent audited financial statements of the District, including an unqualified auditor’s opinion, are included as APPENDIX C hereto. See “APPENDIX C – AUDIT REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021.”*

### **State Funding of Education**

*The following information concerning the State’s funding of education has been compiled from publicly-available information provided by the State. Neither the District, the Financial Advisor, nor the Underwriter is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.*

**Revenue Limit Funding.** Prior to fiscal year 2013-14, school districts operated under general purpose revenue limits established by the California Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments (“COLAs”) and to equalize revenues among school districts of the same type. Funding of a school district’s revenue

limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts are funded based on uniform funding grants assigned to certain grade spans.

**Local Control Funding Formula.** State Assembly Bill 97 (Stats. 2013, Chapter 47) (“A.B. 97”), enacted as part of the 2013-14 State budget, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of A.B. 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) (“S.B. 91”).

The primary component of A.B. 97, as amended by S.B. 91, was the implementation of the Local Control Funding Formula (“LCFF”). Beginning in fiscal year 2013-14, the bulk of funding for school districts is being provided on the basis of target base funding grants per unit of ADA (each, a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments, as further described herein. According to a report published by the State Legislative Analyst’s Office, the State general fund cost of fully implementing the LCFF in fiscal year 2013-14 would have been approximately \$18 billion more than what was spent on education in the prior fiscal year (assuming current levels of property tax revenue, ADA and enrollment). Given this cost, the LCFF was implemented over a span of six fiscal years, during which time school districts received annual funding increases based on the gap between their respective prior-year funding level and the target LCFF allocation following full implementation. In each year, each school district saw the same proportion of their funding gap closed, with dollar amounts varying depending on the size of a district’s funding gap. The State’s cost to fund the LCFF in each fiscal year fluctuates depending on a number of factors, including the provision of COLAs, fluctuations in ADA and student demographics, and growth in property tax revenues.

The specific Base Grants, beginning in fiscal year ended 2013-14, per unit of ADA, for each grade span were as follows: (a) \$6,845 for grades K-3; (b) \$6,947 for grades 4-6; (c) \$7,154 for grades 7-8; and (d) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. The provision of the COLAs is currently subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. As of fiscal year 2018-19, school districts and charter schools are fully-funded under LCFF.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and support college and career readiness programs in high schools. Following full implementation of the new funding system in 2018-19, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant.

The 2020-21 State Budget suspended the statutory cost-of-living adjustment in fiscal year 2020-21. The 2021-22 State Budget included a cost-of-living adjustment of 4.05%, representing a fiscal year 2020-21 cost-of-living adjustment of approximately 2.3% and a fiscal year 2021-22 cost-of-living adjustment of approximately 1.7%. The 2021-22 State Budget also includes \$520 million in Proposition 98 general fund resources to provide a 1% increase in LCFF base funding. Such discretionary increase, together with the compounded cost-of-living adjustment, resulted in growth of LCFF of 5.07% above the fiscal year 2020-21 levels. The 2022-23 State Budget funds a COLA of 6.56%, the largest COLA in the history of the LCFF.

The Base Grants per unit of ADA for fiscal year 2021-22, before accounting for grade span adjustments, but accounting for the 2021-22 funded COLA of 2.7%, are as follows: (a) \$8,093 per ADA for kindergarten through grade 3; (b) \$8,215 per ADA for grades 4 through 6; (c) \$8,458 per ADA for grades 7 and 8; and (d) \$9,802 per ADA for grades 9 through 12.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. LCFF authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable adjusted Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. In addition, school districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable adjusted Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid school district, was formerly a revenue limit district, and is now an LCFF District.

**Accountability.** The SBE has adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by A.B. 97. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The SBE has adopted a template LCAP for use by school districts. The District adopted its most recent LCAP update on June 27, 2022, and adopted a budget overview for parents at the same meeting.

**Support and Intervention.** A.B. 97 establishes a new system of support and intervention to assist school districts to meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8



of each year if the superintendent determines that (a) the LCAP or annual update adheres to the SBE template, and (b) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priorities, or the assignment of an academic expert to assist the district to identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by A.B. 97 and charged with assisting school districts to achieve the goals set forth in their LCAPs. In late 2015, the SBE developed rubrics to assess school district performance and the need for support and intervention.

A.B. 97 also authorizes the State Superintendent of Public Instruction (the “State Superintendent”), with the approval of the SBE, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (a) modify a district’s LCAP, (b) impose budget revisions designed to improve student outcomes, and (c) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized under A.B. 97 to rescind an action required by a local collective bargaining agreement.

### **Enrollment**

The District’s ADA is the primary determinant of state funding through the LCFF. See “State Funding of Education – Local Control Funding Formula,” above. For fiscal years 2019-20, 2020-21, and 2021-22, the District has remained funded at pre-pandemic ADA levels due to State bills passed in response to the COVID-19 pandemic and due to existing LCFF funding calculations. Starting this fiscal year, 2022-23, in order to allow school districts to adjust to enrollment-related funding declines and minimize the impacts of a single-year drop in enrollment, the 2022-23 State Budget amends the LCFF calculation to consider the greater of a school district’s current year, prior year, or the average of three prior years’ ADA. The District cannot predict whether and to what extent the State will mitigate LCFF funding decreases caused by potential decline in ADA should the pandemic continue or worsen in the 2022-23 school year or beyond, or what impact the pandemic will have on the District’s ADA in the future.

The following table shows a breakdown of the District’s ADA by grade span (District serves grades 9-12 only), using P-2 ADA for fiscal years 2013-14 through 2018-19, and funded-basis ADA for 2019-20 through 2022-23, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2022-23. As discussed above (see, “–Local Control Funding Formula”), fiscal year 2013-14 was the first year of implementing the LCFF.

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**TABLE A-6**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**ADA <sup>(1)</sup>, Enrollment <sup>(1)(2)</sup> and EL/LI Enrollment Percentage**  
**Fiscal Years 2013-14 through 2022-23**

Fiscal Year	Total ADA (Grades 9-12)	Total Enrollment <sup>(1)(2)</sup>	EL/LI Percentage <sup>(3)</sup>
2013-14	994	1,041	70%
2014-15	986	1,026	77
2015-16	1,029	1,087	74
2016-17	1,029	1,073	69
2017-18	1,032	1,113	67
2018-19	1,053	1,113	68
2019-20	1,055	1,103	72
2020-21 <sup>(4)</sup>	1,038	1,098	73
2021-22 <sup>(4)</sup>	1,044	1,138	77
2022-23 <sup>(4)(5)</sup>	1,055	1,138	80

<sup>(1)</sup> Excludes, county instructed, adult education and regional occupational program students. Figures rounded to the nearest whole number.

<sup>(2)</sup> Except for 2022-23, reflects "census day" enrollment figures.

<sup>(3)</sup> For purposes of calculating Supplemental and Concentration Grants, for fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then current fiscal year and the two immediately preceding fiscal years.

<sup>(4)</sup> Funded-basis ADA, not actual ADA, per SB 98, and LCFF statutes enacting the 2022-23 State Budget.

<sup>(5)</sup> Projected.

Source: The District.

**Effect of Changes in Enrollment.** Changes in local property tax income and ADA affect LCFF districts and community funded districts differently. In an 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, close schools, or reduce educational programs.

### Revenue Sources

Major revenue sources of the District are described below. For each revenue category discussed below, the 2021-22 budgeted revenue amounts do not include certain reclassified funds which are included in the prior years' audited revenue amounts, specifically, the deferred maintenance fund, special reserve fund for other than outlay, and special reserve fund for post-employment benefits.

**LCFF Revenues.** State funding under the LCFF, the primary funding source for District operations, consists of base grants and supplemental grants as further described above. For fiscal year 2020-21, the District received \$10,656,953 from the LCFF, comprising approximately 73.4% of its general fund revenues. For fiscal year 2021-22, pursuant to its Estimated Actuals, the District received \$13,826,023 from the LCFF, comprising approximately 27.6% of its general fund revenues. For fiscal year 2022-23, the District has budgeted to receive approximately \$16,373,453 from LCFF sources, comprising approximately 77.6% of its budgeted general fund revenues.

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs, and programs under the Every Student Succeeds Act. Most of these “federal revenues” received by the District are restricted. For fiscal year 2020-21, the District received \$1,753,908 from federal revenues, comprising approximately 12.1% of general fund total revenues. For fiscal year 2021-22, pursuant to its Estimated Actuals, the District received \$6,019,726 from federal revenues, comprising approximately 27.6% of its general fund revenues. For fiscal year 2022-23, the District has budgeted to receive approximately \$2,892,526 from federal revenues, comprising approximately 13.7% of its budgeted general fund revenues.

**Other State Revenues.** In addition to the LCFF, the District receives other State revenues. These other State revenues consist 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 the LCFF. Categorical funding for 14 programs was excluded from the LCFF—including, among others, child nutrition, after school education and safety, special education, and State preschool—and school districts will continue to receive restricted State revenues to fund these programs.

For fiscal year 2020-21, the District received \$1,652,347 from other State revenues, comprising approximately 11.4% of general fund total revenues. For fiscal year 2021-22, pursuant to its Estimated Actuals, the District received \$1,497,984 from other State revenues, comprising approximately 6.9% of its general fund revenues. For fiscal year 2022-23, the District has budgeted to receive approximately \$1,414,173 from other State revenues, comprising approximately 6.7% of its budgeted general fund revenues.

**Other Local Revenues.** In addition to property taxes, the District receives additional local revenues from items such as special education pass-through funds, interagency revenues, donations, and interest earnings. For fiscal year 2020-21, the District received \$453,278 from other local revenues, comprising approximately 3.1% of general fund total revenues. For fiscal year 2021-22, pursuant to its Estimated Actuals, the District received \$474,746 from other local revenues, comprising approximately 2.2% of its general fund revenues. For fiscal year 2022-23, the District has budgeted to receive approximately \$412,715 from other local revenues, comprising approximately 2.0% of its budgeted general fund revenues.

### **Accounting Practices**

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District’s fiscal year begins on July 1 and ends on June 30.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available, except for certain revenue sources which are not susceptible to accrual. Expenditures are recognized in the accounting period in which the liability is incurred.

GASB published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments, such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and

the modified accrual method of accounting and (iv) required supplementary information. The District's financial statements are prepared in accordance with Statement No. 34.

### **Audited Financial Statements**

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from sources such as State apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's most recent audit report was prepared by independent auditor Borchardt, Corona Faeth & Zakarian, Certified Public Accountants. The auditor has not participated in the preparation of this Official Statement, and has not provided any update of the financial statements in connection with their inclusion in this Official Statement. Audited financial statements for the District for the prior fiscal years are on file with the District and available for public inspection at the Business Services office of the District. See "APPENDIX C – AUDIT REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021." Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District may impose a charge for copying, mailing and handling.

The following table shows the audited income and expense statements for the District for fiscal years 2016-17 through 2020-21. For further information regarding District finances, see also "APPENDIX C - AUDIT REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021."

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**TABLE A-8**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Summary of Audited General Fund Revenues, Expenditures and Changes in Fund Balance**  
**For Fiscal Years 2016-17 through 2020-21 <sup>(1)</sup>**

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
<b>Revenues:</b>					
LCFF Sources:					
State Apportionment or State Aid	\$ 5,044,806	\$ 4,986,024	\$ 5,220,769	\$ 6,659,753	\$ 4,050,687
Education Protection Account Funds	1,621,719	1,702,687	2,037,955	1,079,094	1,354,450
Local Sources	4,148,757	4,330,147	4,612,899	4,822,993	5,251,816
Federal Revenue	502,696	720,714	637,212	884,444	1,753,908
Other State Revenue	975,072	938,801	1,515,401	862,071	1,652,347
Other Local Revenue	509,466	509,093	561,157	578,957	453,278
<b>Total Revenues</b>	<b>\$12,802,516</b>	<b>\$13,187,466</b>	<b>\$14,585,393</b>	<b>\$14,887,312</b>	<b>\$14,516,486</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Certificated Salaries	\$ 4,758,522	\$ 4,813,787	\$ 4,940,645	\$ 5,031,790	\$ 4,765,991
Classified Salaries	1,754,470	1,862,321	1,956,743	2,079,063	1,868,013
Employee Benefits	2,642,644	3,123,908	3,837,244	3,526,095	3,399,244
Books and Supplies	1,132,162	941,919	681,799	624,658	1,389,277
Services/Other Operating Expenditures	1,252,476	1,366,753	1,633,829	1,480,670	1,335,914
Other Outgo	277,716	293,860	319,018	462,500	454,954
Direct Support/Indirect Costs	(10,000)	--	--	--	--
Capital Outlay	107,397	103,727	425,109	122,014	376,644
<b>Total Expenditures</b>	<b>\$11,915,387</b>	<b>\$12,506,275</b>	<b>\$13,794,387</b>	<b>\$13,326,790</b>	<b>\$13,590,037</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 887,129</b>	<b>\$ 681,191</b>	<b>\$ 791,006</b>	<b>\$ 1,560,522</b>	<b>\$ 926,449</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	--	\$ 53,290	\$ 64,923	\$ 50,291	--
Transfers Out	\$ (613,713)	(772,296)	(816,283)	(674,584)	\$ (700,811)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (613,713)</b>	<b>\$ (719,006)</b>	<b>\$ (751,360)</b>	<b>\$ (624,293)</b>	<b>\$ (700,811)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 273,416</b>	<b>\$ (37,815)</b>	<b>\$ 39,646</b>	<b>\$ 936,229</b>	<b>\$ 225,638</b>
<b>Fund Balance, July 1</b>	<b>\$3,284,162</b>	<b>\$3,557,578</b>	<b>\$3,519,763</b>	<b>\$3,559,410</b>	<b>\$4,524,826</b>
<b>Prior Period Adjustment</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>29,188</b>	<b>--</b>
<b>Fund Balance, June 30</b>	<b>\$3,557,578</b>	<b>\$3,519,763</b>	<b>\$3,559,409</b>	<b>\$4,524,827</b>	<b>\$4,750,464</b>

<sup>(1)</sup> Columns may not sum to totals due to rounding.

Source: District Audit Reports for fiscal years 2016-17 through 2020-21.

## Budget Process

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School districts' annual general fund expenditures are characterized in large part by multi-year expenditure commitments such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts are required by State law to maintain general fund reserves that can be drawn upon in the event of a resulting excess of expenditures over revenues for a given fiscal year. The District is required to maintain a general fund reserve of 3%.

The California Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("A.B. 1200"), which became State law on October 14, 1991. On September 17, 2018, Governor Brown signed Chapter 426 of 2018 ("A.B. 1840"), which shifted outside administrator appointment authority from the State to county offices of education. The A.B. 1200 budgeting process is summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to State of California Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education 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 two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that 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 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 may not meet its financial obligations of the current fiscal year or the subsequent two fiscal years.

The District's original budget for fiscal year 2021-22 was adopted by the District's Board on June 27, 2022. On August 8, 2022, the District Board approved a 45-day budget update reflecting revisions to projected revenues and expenditures made to reflect school funding provisions of the 2022-23 State Budget. The District is under the jurisdiction of the Madera County Superintendent of Schools (the "County Superintendent"). In the five fiscal years prior to 2022-23, the District has not had an adopted budget disapproved by the County Superintendent, and has not received a negative or qualified certification of an interim financial report pursuant to A.B. 1200.

The following table summarizes the District's 2021-22 estimated actual results, and the District's 2022-23 original adopted July 1 general fund budget, and the District's 2022-23 45-day budget revision (restricted and unrestricted funds).

**TABLE A-9**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Summary of Estimated and Budgeted General Fund Revenues, Expenditures and Changes in Fund Balance**  
**For Fiscal Years 2021-22 and 2022-23 <sup>(1), (2)</sup>**

	Estimated Actuals 2021-22	Adopted Budget 2022-23	45-Day Revised Budget 2022-23
<b>Revenues</b>			
LCFF Sources	\$13,826,023	\$14,716,760	\$16,373,453
Federal Revenue	6,019,726	1,147,833	2,892,526
Other State Revenue	1,497,984	1,233,736	1,414,173
Other Local Revenue	474,746	409,918	412,715
<b>Total Revenues</b>	<b>\$21,818,479</b>	<b>\$17,508,247</b>	<b>\$21,092,867</b>
<b>Expenditures</b>			
Certificated Salaries	\$ 5,948,199	\$ 6,097,957	\$ 6,107,123
Classified Salaries	2,224,090	2,458,799	2,463,401
Employee Benefits	3,867,751	4,456,341	4,371,587
Books and Supplies	1,823,450	1,285,971	1,468,480
Services and Other Operating Expenditures	2,247,566	2,564,515	2,884,678
Capital Outlay	3,707,990	215,000	2,093,600
Other Outgo (excluding Transfers of Indirect Costs)	473,694	474,500	--
Other Outgo – Transfers of Indirect Costs	--	--	--
<b>Total Expenditures</b>	<b>\$20,292,740</b>	<b>\$17,553,083</b>	<b>\$19,388,868</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 1,525,740</b>	<b>\$ (44,836)</b>	<b>\$ 1,703,999</b>
<b>Other Financing Sources and Uses</b>			
Interfund Transfers In	--	--	--
(Interfund Transfers Out)	\$ (396,393)	\$ (213,000)	\$ (687,500)
<b>Net Change in Fund Balance</b>	<b>\$ 1,129,346</b>	<b>\$ (257,836)</b>	<b>\$ 1,016,499</b>
<b>Beginning Fund Balance</b>	<b>\$ 3,852,276</b>	<b>\$ 4,981,622</b>	<b>\$ 4,981,622</b>
<b>Ending Fund Balance</b>	<b><u>\$ 4,981,622</u></b>	<b><u>\$ 4,723,786</u></b>	<b><u>\$ 5,998,121</u></b>

(1) Restricted and unrestricted general fund revenues.

(2) Columns may not sum to totals due to rounding.

Source: The District's adopted budget for fiscal year 2022-23 and the District's 2022-23 45-day budget revision.

## Long-Term Debt

Long-term obligations of the District include debt and other long-term liabilities. Changes in long-term obligations for the fiscal year ended June 30, 2021, are as follows:

**TABLE A-10**  
**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Summary of Changes in Long term Debt**  
**For Fiscal Year Ended June 30, 2021**

	Beginning Balances (July 1, 2020)	Increase	Decrease	Ending Balances (June 30, 2021)
General Obligation Bonds:	\$5,779,985	--	\$405,000	\$5,374,985
Accreted Interest	1,021,266	\$108,804	--	1,130,070
Certificates of Participation	1,906,000	--	263,000	1,643,000
Capital Lease	558,719	--	88,018	470,701
Compensated Absences	88,824	13,567	--	102,391
<b>Totals</b>	<b>\$9,354,794</b>	<b>\$122,371</b>	<b>\$756,018</b>	<b>\$8,721,147</b>

*Source: District Audit Report for fiscal year 2020-21.*

**Other Long-Term Obligations.** In addition to the debt obligations shown in the above table, pursuant to GASB Statements 67, 68, 74, and 75, among others, the District reports its net pension liabilities and total OPEB liability as long-term debt. As of the end of the 2020-21 fiscal year, the District's net pension liability was \$13,432,080 and its total OPEB liability was \$1,579,410, for a total of \$23,732,637 in District debt (when added to the obligations in the above Table A-10). For further information regarding the District's pension liabilities and OPEB liability, see "THE DISTRICT – Retirement Benefits" and "–Other Post-Employment Benefits" in this APPENDIX A.

**General Obligation Bonds.** In addition to the Bonds, the District has other series of general obligation bonds currently outstanding, which are secured by *ad valorem* taxes upon all property subject to taxation by the District (collectively, the "General Obligation Bonds"). See "THE BONDS – Other General Obligations Bonds" in the front part in the of this Official Statement for more information concerning the District's outstanding General Obligation Bonds. Annual debt service payments for the District's outstanding General Obligation Bonds, including the Bonds, are presented in Table 3 in the front part of this Official Statement.

### **Certificates of Participation.**

On August 9, 2016, the District executed and delivered its 2016 Refunding Certificates of Participation in the principal amount of \$2,890,000 (the "Certificates") in order to prepay outstanding certificates of participation of the District. The remaining debt service payments on the Certificates are as follows:

Year ending June 30	Annual Debt Service
2023	\$ 288,393
2024	292,899
2025	286,836
2026	289,157
2027	287,394
<b>Total:</b>	<b>\$1,438,666</b>



**Capital Lease.** The District has one outstanding capital lease financing, which financed the acquisition of school buses. Remaining lease payments are as follows:

Year ending June 30	Annual Lease Payments
2023	\$105,440
2024	105,440
2025	105,440
2026	93,020
<b>Total:</b>	<b>\$409,340</b>

## STATE BUDGETS

### The State Budget Process

According to the State Constitution, the Governor of the State (the “Governor”) must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State’s voters on November 2, 2010 as “Proposition 25,” a final budget must be adopted by a majority vote (rather than a supermajority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. As discussed below, the Governor signed the most recent adopted State budget, for fiscal year 2021-22 (“2021-22 State Budget”) into law on July 12, 2021.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State 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 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. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: [www.sco.ca.gov](http://www.sco.ca.gov). Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

**State Budget Process and Proposition 98 Education Funding.** The Proposition 98 funding amount for education in a given year varies throughout the stages of the budget and appropriation process, from the Governor’s January budget proposal to the final adopted budget, and may continue to evolve even through actual expenditures and post-year-end revisions to the prior year budget.

If, at year-end, the guaranteed amount is calculated to be higher than the amount of Proposition 98 funding 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 them 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 temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal years 2004-05 and 2010-11 through 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

## **2021-22 State Budget**

The final State Budget for fiscal year 2021-22 (the "2021-22 State Budget") was signed by the Governor on July 12, 2021. The 2021-22 State Budget reflects the State's strong fiscal position amid the economic recovery from the COVID-19 pandemic. Reflecting continued fiscal caution, however, 85% of discretionary funds are allocated to one-time spending in order to support recovery while avoiding overcommitting future revenues. Though the budget is balanced, economic risks remain an ongoing concern, including the risk of significant stock market declines, which would reduce State revenues. The 2021-22 State Budget acknowledges such risks and includes a phase-in of certain investments that can be adjusted annually through the budget process.

The 2021-22 State Budget projects that total resources available in fiscal year 2020-21 will be approximately \$194.3 billion, including revenues and transfers of approximately \$188.8 billion and a prior year balance of approximately \$5.6 billion, and total expenditures in fiscal year 2020-21 will be approximately \$166.1 billion. The 2021-22 State Budget projects total resources available for fiscal year 2021-22 of approximately \$203.6 billion, inclusive of revenues and transfers of approximately \$175.3 billion and a prior year balance of approximately \$28.2 billion. The 2021-22 State Budget projects total expenditures in fiscal year 2021-22 of approximately \$196.4 billion, inclusive of non-Proposition 98 expenditures of approximately \$130.1 billion and Proposition 98 expenditures of approximately \$66.4 billion. The 2021-22 State Budget includes \$25.2 billion in reserves in fiscal year 2021-22 and allocates reserves as follows: approximately \$15.8 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$900 million in the Safety Net Reserve, approximately \$4.5 billion in the Proposition 98 Rainy Day Fund (Public School System Stabilization Account), and approximately \$4.0 billion in the State's SFEU. In addition, the 2021-22 State Budget allocates approximately \$3.2 billion of the State's general fund balance in fiscal year 2021-22 to the State's Reserve for Liquidation of Encumbrances.

The 2021-22 State Budget allocates resources to continue to pay down the State's long-term retirement liabilities, with \$3.4 billion in payments required by Proposition 2 in fiscal year 2021-22, plus \$7.9 billion in additional payments over the next three years. The improved revenue forecast also allows for the 2021-22 State Budget to eliminate \$2.0 billion in program suspensions enacted in prior budgets. The 2021-22 State Budget also completely pays off Proposition 98 deferrals that were implemented in fiscal year 2020-21 as a strategy to avoid reductions to school spending. By paying off Proposition 98 deferrals, the 2021-22 State Budget provides greater cash flow stability to school districts, which may alleviate the need for school districts to continue borrowing funds to support programmatic needs. The 2021-22 State Budget projects that the State will be below its appropriations limit

(referred to as the “Gann Limit”) for fiscal years 2020-21 and 2021-22, based in part on statutory changes enacted as part of the 2021-22 State Budget that more accurately account for selected expenditures under both State and local limits and revised the level of excluded spending. The State’s estimate of its appropriations for fiscal years 2020-21 and 2021-22 will continue to be revised until May 2023.

The 2021-22 State Budget includes total funding of \$123.9 billion for all K-12 education programs, including \$65.5 billion from the State’s general fund and \$58.4 billion from other funds, which is the highest level of funding for school districts in California’s history. Per-pupil funding is also at the highest levels for school districts in California’s history, totaling \$13,976 per pupil in Proposition 98 funding and \$21,555 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the 2021-22 State Budget include the following:

- *Proposition 98 Minimum Guarantee.* The 2021-22 State Budget projects increased Proposition 98 funding, resulting in funding estimates of \$79.3 billion in fiscal year 2019-20, \$93.4 billion in fiscal year 2020-21, and \$93.7 billion in fiscal year 2021-22, due to a significant increase in projected revenues for fiscal years 2020-21 and 2021-22. Such funding represents a historically high three-year increase in the minimum guarantee of \$47 billion over the level funded in the fiscal year 2020-21 State budget.
- *Proposition 98 Rainy Day Fund (Public School System Stabilization Account).* The 2021-22 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund between fiscal years 2020-21 and 2021-22 for a total account balance of \$4.5 billion at the end of fiscal year 2021-22. The balance of \$4.5 billion in fiscal year 2021-22 triggers school district reserve caps beginning in fiscal year 2022-23.
- *Local Control Funding Formula.* The 2021-22 State Budget includes a LCFF cost-of-living adjustment of 4.05%, representing a fiscal year 2020-21 cost-of-living adjustment of 2.31% and a fiscal year 2021-22 cost-of-living adjustment of 1.7%. The 2021-22 State Budget also includes \$520 million in Proposition 98 general fund resources to provide a 1% increase in LCFF base funding. This discretionary increase, together with the compounded cost-of-living adjustment, results in growth in the LCFF of 5.07% above the fiscal year 2020-21 levels.
- *Deferrals.* Recession-driven revenue reductions anticipated at the 2020-21 State Budget drove the need to defer LCFF apportionments in the amounts of \$1.9 billion in fiscal year 2019-20, and growing to more than \$11 billion in fiscal year 2020-21. The 2021-22 State Budget eliminates all K-12 deferrals in fiscal year 2021-22.
- *In-Person Instruction and Independent Study.* The 2021-22 State Budget requires that all school districts return to full-time in-person instruction for the 2021-22 school year. In-person instruction will be the default for all students, and generally one of only two ways in which local educational agencies can earn State apportionment funding in fiscal year 2021-22. To give families a non-classroom-based instruction option, and to provide local educational agencies with an option to generate State funding by serving students outside the classroom, the 2021-22 State Budget requires school districts and county offices of education to provide students with an independent study option and includes a series of improvements to the State’s existing independent study programs.
- *Expanded Learning Time.* The 2021-22 State Budget includes an initial \$1.8 billion investment of Proposition 98 general fund resources as part of a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care. Local educational agencies with the highest concentrations of such students will receive a higher funding rate, and such agencies will be required to offer expanded learning opportunities to the students generating the

funds. The 2021-22 State Budget estimates that the Proposition 98 general fund costs to implement this proposal will grow to \$5.0 billion by fiscal year 2025-26. Over the implementation period, per pupil funding will increase and more local educational agencies will be expected to expand access to all students.

- *Universal Transitional Kindergarten.* The 2021-22 State Budget includes a series of investments beginning in fiscal year 2022-23 to incrementally establish Statewide transitional kindergarten by fiscal year 2025-26. The costs of this plan are anticipated to be approximately \$600 million in general fund resources in fiscal year 2022-23, growing to \$2.7 billion in fiscal year 2025-26. In addition, the 2021-22 State Budget includes \$200 million of one-time Proposition 98 general fund resources to provide planning and implementation grants for all local educational agencies and \$100 million of one-time Proposition 98 general fund resources for local educational agencies to train and increase the number of early childhood educators. The 2021-22 State Budget also proposes new ongoing Proposition 98 general fund resources beginning in fiscal year 2022-23 to provide one additional certificated or classified staff person in each transitional kindergarten classroom. Finally, the 2021-22 State Budget includes \$130 million of Proposition 98 general fund resources for State preschool providers to meet the additional demands of providing wraparound care for their income-eligible students under the universal transitional kindergarten program, such funds to be used for additional student access, as well as increasing reimbursement rates to more closely reflect regional differences in the cost of providing care.
- *Comprehensive Student Supports.* The 2021-22 State Budget includes \$3.0 billion in Proposition 98 general fund resources, available over several years, to expand and strengthen the implementation and use of the community school model to all schools in communities with high levels of poverty. In addition, the 2021-22 State Budget includes an ongoing increase to the LCFF concentration grant of \$1.1 billion in Proposition 98 general fund resources to increase the number of adults providing direct services to students on school campuses, and includes \$30 million in one-time Proposition 98 general fund resources for county offices of education to coordinate and provide services to youth in foster care. Finally, the 2021-22 State Budget provides \$547.5 million in one-time Proposition 98 general fund resources for the A-G Completion Improvement Grant Program, which will fund high schools to increase the number of students, particularly students eligible for free and/or reduced price meals, English learners, and foster youth, who graduate from high school having completed the A-G series of classes required for admission to the California State University and the University of California.
- *Educator Preparation, Retention, and Training.* To further expand the State's educator preparation and training infrastructure, including to meet the need for additional early childhood educators, the 2021-22 State Budget provides approximately \$2.9 billion to support educator initiatives, including approximately \$1.0 billion in one-time Proposition 98 general fund resources for educator preparation and approximately \$1.9 billion in one-time Proposition 98 general fund resources for educator retention and training.
- *Nutrition.* The 2021-22 State Budget provides an additional \$54 million in Proposition 98 general fund resources to reimburse all meals served to students, including for those who would not normally qualify for reimbursement under the State meal program. Beginning in fiscal year 2022-23, all schools will be required to provide two free meals per day to any student who requests a meal, regardless of income eligibility, and all schools eligible for the federal universal meals provision will be required to apply for the program by June 30, 2022 to reduce volatility in costs to the State and to ensure the State is not responsible for costs reimbursable at the federal level. The 2021-22 State Budget estimates costs of \$650 million in Proposition 98 general fund resources annually to cover any remaining unreimbursed costs up to the federal free per-meal rate. In addition, the 2021-22 State Budget provides \$150 million in one-time Proposition 98 general fund resources for school districts to provide school kitchen infrastructure and equipment upgrades and training for food service employees.
- *Special Education.* The 2021-22 State Budget includes the following for special education programs: approximately \$465 million in one-time Proposition 98 general fund resources for local education agencies

to provide learning recovery support for students with disabilities and to improve delivery of inclusive practices; approximately \$396.9 million in one-time Proposition 98 general fund resources to increase the Statewide base rate for special education funding; approximately \$297 million in federal Individuals with Disabilities Education Act funds to support special education programs; approximately \$260 million in ongoing Proposition 98 general fund resources to support early intervention services for preschool-aged children; approximately \$186.1 million in ongoing Proposition 98 general fund resources to provide a 4.05% cost-of-living adjustment for State special education funding; and approximately \$100 million in Proposition 98 general fund resources for alternative dispute resolution of special education services complaints.

- *Career Technical Education.* The 2021-22 State Budget includes an increase of \$150 million in ongoing Proposition 98 general fund resources to augment opportunities for local educational agencies to participate in the Career Technical Education Incentive Grant Program, as well as an increase of \$86.4 million in one-time Proposition 98 general fund resources for career technical education regional occupational centers or programs operated by a joint powers authority to address costs associated with the COVID-19 pandemic.

*The complete 2021-22 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.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.*

**Assembly Bill 86.** On March 4, 2021, the Governor signed into law Assembly Bill 86 (“AB 86”), urgency legislation which provides approximately \$6.6 billion to accelerate the return of in-person school instruction and expand student support. Specifically, AB 86 provided \$2 billion for in-person instruction grants to local educational agencies (with the exception of non-classroom based charter schools and independent study programs) that can be used for, among other things, personal protective equipment, ventilation upgrades and COVID-19 testing. To qualify for the funding, local educational agencies were required to offer in-person instruction for Kindergarten through second grade, and all grades levels for high-need students, by March 31, 2021, losing 1% of eligible funds for every day thereafter if they did not.

Local educational agencies forfeited eligibility for all AB 86 funding if they did not resume in-person instruction by May 15, 2021. Funding will be allocated proportionally on the basis of LCFF funding entitlements, determined as of the fiscal year 2020-21 second principal apportionment certification.

The remaining \$4.6 billion was allocated for supplemental instruction and support for social and emotional well-being. Funding was be allocated proportionally on the basis of LCFF funding entitlements, determined as of the fiscal year 2020-21 second principal apportionment certification. Local educational agencies also received an additional \$1,000 for each homeless pupil enrolled in the 2020-21 fiscal year.

AB 86 also supported the safe reopening of schools by (i) setting aside 10% of available vaccines for education workers, (ii) requiring certain COVID-19-related data reporting, and (iii) providing additional funding for the State’s “Safe Schools Team,” for technical assistance and oversight to schools that experience COVID-19 outbreaks.

## **2022-23 State Budget**

On June 30, 2022, the Governor signed the State budget for fiscal year 2022-23 (the “2022-23 State Budget”). The following information is drawn from the DOF summary of the 2022-23 State Budget.

For fiscal year 2021-22, the 2022-23 State Budget projects total general fund revenues and transfers of \$277.1 billion and authorizes expenditures of \$242.9 billion. The State is projected to end the 2021-22 fiscal year with total reserves of \$46.7 billion, including \$18.2 billion in the traditional general fund reserve, \$20.3 billion in the BSA, \$7.3 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2022-23, the 2022-23 State Budget

projects total general fund revenues and transfers of \$219.7 billion and authorizes expenditures of \$234.4 billion. The State is projected to end the 2022-23 fiscal year with total reserves of \$37.2 billion, including \$3.5 billion in the traditional general fund reserve, \$23.3 billion in the BSA, \$9.5 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. The 2022-23 State Budget includes deposits to the PSSSA of \$3.1 billion, \$4 billion and \$2.2 billion attributable to fiscal years 2020-21 through 2022-23, respectively. The balance of \$7.1 billion in the PSSSA in fiscal year 2021-22 triggers school district reserve caps beginning in fiscal year 2022-23. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

The 2022-23 State Budget sets total funding for all K-12 education programs at \$128.6 billion, including \$78.6 billion from the State general fund. This results in per-pupil funding of \$22,893, including \$16,993 from Proposition 98 sources. The minimum funding guarantee in fiscal year 2022-23 is set at \$110.4 billion. The 2022-23 State Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2020-21 and 2021-22, setting them at \$96.1 billion and \$110.2 billion, respectively. Collectively, this represents a three-year increase in the minimum funding guarantee of \$35.8 billion over the level projected by the 2021-22 Budget. Test 1 is projected to be in effect over this three year period.

Other significant features relating to K-12 education funding include the following:

- *Local Control Funding Formula.* The 2022-23 State Budget funds a COLA of 6.56% to LCFF apportionments, the largest COLA in the history of the LCFF. To assist school district and charter schools address ongoing fiscal pressures, staff shortages and other operational needs, the 2022-23 State Budget includes \$4.32 billion in ongoing Proposition 98 funding to increase LCFF base funding by an additional 6.28%. With respect to county offices of education, the 2022-23 State Budget includes \$101.2 million in ongoing, augmented LCFF funding. To support the fiscal stability of all local educational agencies, including those with declining student populations, the 2022-23 State Budget amends the LCFF calculation to consider the greater of a school district’s current year, prior year or average of three prior years’ ADA. Finally, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enables all classroom-based local educational agencies that can demonstrate they provided independent study offerings to students in fiscal year 2021-22 to be funded at the greater of their current year ADA or their current year enrollment, adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year. The 2022-23 State Budget also allows classroom-based charter schools to be similarly funded. The 2022-23 State Budget reflects \$2.8 billion in ongoing Proposition 98 funding and \$413 million in one-time Proposition 98 funding to implement these stabilization policies.
- *Learning Recovery.* The 2022-23 State Budget establishes the Learning Recovery Emergency Fund and appropriates \$7.9 billion in one-time Proposition 98 funding to establish a block grant to support local educational agencies in establishing learning recovery initiatives.
- *Discretionary Block Grant.* \$3.6 billion in one-time, discretionary Proposition 98 funding to school districts, county offices of education, charter schools and State special schools to be spent on a variety of purposes, including arts and music programs, professional development, instructional materials, operational costs and expenses related to the COVID-19 pandemic.
- *Student Supports.* The 2021-22 State Budget provided \$3 billion, available over several years, to expand and strengthen the implementation and use of community school models in communities with high levels of poverty. Community schools typically integrate health, mental health and other services for students and families and provide these services directly on school campuses. The 2022-23 State Budget includes an additional \$1.1 billion in one-time Proposition 98 funding to expand access to community schools.

- *Educator Workforce.* The 2021-22 State Budget provided \$2.9 billion to support a variety of initiatives intended to further expand the State’s educator preparation and training infrastructure, including meeting the needs of early childhood educators. To further support this effort, the 2022-23 State Budget provides \$48.1 million in one-time funding to waive certain teacher examination fees, \$20 million in one-time funding to develop and implement integrated teacher preparation programs, \$2.7 million to fund State operational support for teacher credentialing, and \$1.4 million to establish career counselors for prospective educators.
- *Educator Preparation, Retention and Training.* The 2022-23 State Budget funds a variety of additional educator workforce initiatives, including (i) \$250 million in one-time Proposition 98 funding to expand residency slots for teachers and school counselors, (ii) \$85 million in one-time Proposition 98 funding to create Pre-Kindergarten through 12th grade educator resources and professional learning in science technology, engineering and math, and (iii) \$35 million in one-time Proposition 98 funding, available over three years, for educator training in computer science, special education and support for English-learners.
- *Universal Transitional Kindergarten.* \$614 million in ongoing Proposition 98 funding to expand eligibility for transitional kindergarten to include all children turning five years old between September 2 and February 2, beginning in the 2022-23 fiscal year. To accommodate expected enrollment increases related to the expansion of transitional kindergarten, the 2022- 23 Budget will rebench the Test 1 percentage of State revenues allocated to education. Additionally, the 2022-23 State Budget includes \$383 million in Proposition 98 funding to add one additional certificated or classified employee to every transitional kindergarten class, which is expected to reduce student-to-adult ratios to more closely align with the State’s preschool program. Finally, the 2022-23 State Budget provides \$100 million of one-time funding in 2022-23, and \$550 million of funding in 2023-24, to support the construction or retrofit of school facilities for the purpose of providing classrooms for transitional kindergarten, full-day kindergarten or preschool.
- *Expanded Learning Time.* \$3 billion of Proposition 98 funding as part of a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and foster youth. Pursuant to this plan, all local educational agencies will receive funding for expanded learning opportunities based on their numbers of such students. Beginning in fiscal year 2023-24, local educational agencies will be required to offer expanded learning opportunities to all low-income students, English language learners and foster youth. Local educational agencies with the highest concentrations of these students will be required to offer expanded learning opportunities to all students. The 2022-23 State Budget continues to assume full implementation of this program by fiscal year 2025-26.
- *Literacy.* \$250 million in one-time Proposition 98 funding, available over five years, for grants to high-needs schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction and offer one-on-one and small group intervention for struggling readers.
- *Community Engagement.* \$100 million in one-time Proposition 98 funding to expand the reach of an initiative included in prior budgetary legislation which builds the capacity of local educational agencies to engage more effectively with their communities.
- *Special Education.* \$500 million in ongoing Proposition 98 funding to increase in the Statewide base funding rate for special education funding.
- *College and Career Pathways.* \$500 million in one-time Proposition 98 funding, over seven years, to support the development of college and career pathways program focused on technology (including computer science, green technology and engineering), health care, education and climate-related fields. Additionally,

the 2022-23 State Budget includes \$200 million in one-time Proposition 98 funding, available over four years, to strengthen and expand student access and participation in dual enrollment opportunities.

- *Home-to-School Transportation.* \$637 million in ongoing Proposition 98 funding to reimburse local educational agencies for up to 60% of their prior year transportation costs. In addition, commencing in fiscal 2023-24, the 2022-23 State Budget reflects the application of an ongoing COLA to the current LCFF Home-to-School Transportation add-on. Finally, the 2022-23 State Budget provides \$1.5 billion in one-time Proposition 98 funding, available over five years, to support the greening of school buses as part of a Statewide zero-emissions initiative.
- *Nutrition.* \$596 million in Proposition 98 funding to create universal access to subsidized school meals. The 2022-23 State Budget provides an additional \$611.8 million in ongoing Proposition 98 funding to augment State meal program reimbursements rates beginning in fiscal year 2022-23, in order to allow local educational agencies to continue offering higher quality and more diverse meals for students. Additionally, the 2022-23 State Budget includes \$600 million in one-time Proposition 98 funding, available over three years, to upgrade school kitchen infrastructure and equipment, provide food service employee training and incorporate fresh, minimally-processed, California-grown foods in school meals. The 2022-23 State Budget also provides an additional \$100 million in one-time Proposition 98 funding to support local educational agency procurement practices for plant-based or restricted diet meals, as well as to procure California-grown or California-produced, sustainably grown and whole or minimally processed foods. Finally, the 2022-23 State Budget includes an additional \$30 million in one-time Proposition 98 funding for the California Farm to School Program, which connects local producers and school food buyers, increases food education opportunities and engages schools and students with the agricultural community.
- *Facilities.* \$1.4 billion in State general obligation bond funding to support school construction projects. This represents the final installment available to K-12 school districts under Proposition 51. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 51” herein. The 2022-23 State Budget also provides \$1.3 billion in one-time funding in fiscal year 2022-23, \$2.1 billion of such funds in 2023-24 and \$875 million of such funds in fiscal year 2024-25, to support new construction and modernization projects through the State’s school facility program. Finally, the 2022-23 State Budget includes \$30 million in ongoing Proposition 98 funding to support eligible facilities costs for the Charter School Facility Grant Program.
- *Classified Staff.* An increase of \$35 million in one-time Proposition 98 funding, and \$90 million in ongoing Proposition 98 funding, for the Classified School Employee Summer Assistance Program, which provides supplemental pay for classified staff during the intersessional months when they are not employed.

### **Additional Information on State Finances**

The full text of proposed and adopted State budgets may be found at the internet website of the California Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget.” The Legislative Analyst’s Office (“LAO”) budget overviews and other analyses may be found at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading “Products.” 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](http://www.treasurer.ca.gov) or through the Municipal Securities Rulemaking Board’s EMMA website at [emma.msrb.org](http://emma.msrb.org).

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor’s Office, the State Controller’s Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor’s Office also formally updates its budget projections three times during each fiscal year, in January, May



and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above 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.

### **Future State Budgets**

The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict 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 over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

The principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* property tax levied by the County on all property subject to taxation by the District within the boundaries of the District for the payment thereof as described herein, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of Bonds was approved by the voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

### **Article XIII A of the California Constitution**

Article XIII A of the State Constitution ("Article XIII A") limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8, approved by the voters in November of 1978, provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the front part of this Official Statement.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district, or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978; or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978; or (c) on 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

### **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 relevant 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 annual adjustment not to exceed 2% 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.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

### **Proposition 19 Ballot Measure**

A ballot measure on the November 2020 Statewide ballot known as “Proposition 19” was approved by the voters. Proposition 19 amends Article XIII A, to permit eligible homeowners to transfer tax assessments anywhere in the State, narrow existing special rules for inherited properties, and broaden the scope of triggers for reassessment of properties. Any additional revenues and net savings resulting from the ballot measure will be allocated to fire protection services and reimbursing local governments for taxation-related changes. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or assessed valuation of real property in the District.

### **State-Assessed Utility Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions. Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, non-utility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any

future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL MATTERS - State Funding of Education" herein.

### **Article XIII B of the California Constitution**

Article XIII B of the State Constitution ("Article XIII B"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines:

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year; and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance ("ADA") of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for Fiscal Year 1986-87 adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service); and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes; (b) appropriations for debt service; (c) appropriations required to comply with certain mandates of the courts or the federal government; (d) appropriations of certain special districts; (e) appropriations for all qualified capital outlay projects as defined by the State Legislature; (f) appropriations derived from certain fuel and vehicle taxes, and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" herein.

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California 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 (respectively, "Article XIII C" and "Article XIII D"), 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; 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.

### **State Dissolution of Redevelopment Agencies**

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding A.B.x1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that A.B.x1 27, a companion bill to A.B.x1 26, violated the California Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 1A and Proposition 22” herein. A.B.x1 27 would have permitted redevelopment agencies to continue operations provided their establishing city or county agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

A.B.x1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“A.B. 1484”), which, together with A.B.x1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to A.B.x1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

The priority among the various types of enforceable obligations is as follows: (1) the first priority for payment is tax allocation bonds issued by the former redevelopment agency; (2) second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; (3) third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; (4) fourth is tax revenues in the Trust

Fund in excess of such amounts, if any, and will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory 2% pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (A.B. 1290, Chapter 942, Statutes of 1993) ("A.B. 1290"), are restricted to educational facilities without offset against State funding apportioned to school districts. Only 43.3% of A.B. 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

A.B.X1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the county auditor/controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of A.B.X1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. A.B. 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease. The District can make no representations as to the extent to which its revenue limit apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

The District can make no representations as to the extent to which its State apportionment may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative

enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (e) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

### **Propositions 98 and 111**

On November 8, 1988, voters of the State of California approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. 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 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87; and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school 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 can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budget in a different way than is proposed in the 2018-19 State Budget.

On June 5, 1990, the voters of the State of California approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

(a) *Annual Adjustments to Spending Limit.* The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

(b) *Treatment of Excess Tax Revenues.* "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Further, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

(c) *Exclusions from Spending Limit.* Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

(d) *Recalculation of Appropriations Limit.* The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to Fiscal Year 1990-91 as if Proposition 111 had been in effect.

(e) *School Funding Guarantee.* There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (i) 40.9% of State general fund revenues (the "first test") or (ii) 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, schools will receive the greater of (A) the first test; (B) the second test, or (C) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools (also referred to as a "maintenance factor") that will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (a) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the Bonds, and (b) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (i) any local government debts approved by the voters prior to July 1, 1978, or (ii) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (a) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (b) a specific list of school projects to be funded and

certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (c) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation enacting Proposition 39, approved in June 2000, placed certain additional limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See also, "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - Tax Rates" herein.

### *Jarvis v. Connell*

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

### **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (d) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on State transportation bonds, to borrow or change the distribution of State fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for State mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office on July 15, 2010, the



expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

### **Proposition 30**

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax is being levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending in the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (a) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers), (b) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers), and (c) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

### **Proposition 2**

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as "Proposition 58").

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State is generally required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98— will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with Fiscal Year 2029-30, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

**Senate Bill 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 PSSSA, 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 ADA of less than 400,000, is not

more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the 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.

**Senate Bill 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 immediate after a fiscal year in which the amount of moneys in the PSSSA 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, all basic aid school districts (also known as community funded districts) and all small school districts having fewer than 2,501 units of ADA.

The District is not a basic aid district, however, the District’s ADA is fewer than 2,501. Accordingly, the District is not impacted by the reserve requirements imposed by SB 858.

### **Proposition 51**

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities.

Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and many of the above-described Propositions were 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 revenues. The nature and impact of these potential future measures cannot be anticipated by the District.

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## APPENDIX B

### AREA ECONOMIC AND DEMOGRAPHIC INFORMATION

*The following information concerning the City of Chowchilla ("Chowchilla") and the County of Madera (the "County") is included only for the purpose of supplying general information regarding the area of the District. The General Obligation Bonds, Election of 2022, Series A, are not a debt of the Chowchilla, the County, other listed cities, the State or any of its political subdivisions, and neither Chowchilla, the County, other listed cities, the State nor any of its political subdivisions are liable therefor.*

#### **City of Chowchilla**

The City of Chowchilla is located in California's Central Valley, between the State's coastal mountain ranges and the Sierra Nevada Mountains. Chowchilla is situated approximately 20 miles north of the City of Madera and about 20 miles south of the City of Merced . The Monterey Peninsula and Pacific Ocean are less than three hours away.

The San Joaquin Valley is rich in agricultural production. Chowchilla's economy is predominantly based upon agricultural production and agricultural industries, although it has diversified in recent years.

Chowchilla was incorporated on February 7, 1923, with a Council-Manager form of government. Chowchilla provides full city services including a municipal airport, water system, sewer plant and contracted solid waste collection and disposal. The City operates a police department and a volunteer fire department.

#### **County of Madera**

The County is located in the Central Valley, at the geographical center of the State. The County is dominated by rich agricultural lands, and extends into the foothills of the Sierra Nevada mountain range. The County was formed in 1893 from a portion of Fresno County north of the San Joaquin River.

#### **Population**

The following table shows the population of Chowchilla and the County for the current year and prior five years.

#### POPULATION OF THE CITY OF CHOWCHILLA AND THE COUNTY OF MADERA

<u>Calendar Year<sup>(1)</sup></u>	<u>City of Chowchilla</u>	<u>Madera County</u>
2017	18,680	155,976
2018	18,877	157,195
2019	18,612	157,969
2020	18,306	158,602
2021	18,412	156,385
2022	18,851	157,396

<sup>(1)</sup> Figures as of January 1 of the year indicated.

Source: California State Department of Finance.

## Employment and Industry

The unemployment rate in the County was estimated to be 5.6% in June 2022 (not seasonally adjusted), up from a revised 5.0% in May 2022, and down from the year-ago estimate of 9.8%. This compares with an unadjusted unemployment rate of 4.0% for California, and 3.8% for the United States for the same period.

The following table summarizes the civilian labor force, employment and unemployment in Fresno County for the calendar years 2017 through 2021 (the last year for which data are available). These figures are County-wide statistics and may not necessarily accurately reflect employment trends in the District.

**MADERA METROPOLITAN STATISTICAL AREA  
(MADERA COUNTY)  
Civilian Labor Force, Employment and Unemployment by Industry (Annual Averages)  
March Benchmark**

	2017	2018	2019	2020	2021
Civilian Labor Force <sup>(1)</sup>	60,900	61,300	62,200	61,900	61,900
Employment	55,900	56,900	57,800	54,900	56,500
Unemployment	5,000	4,400	4,400	6,900	5,500
Unemployment Rate	8.2%	7.1%	7.0%	11.2%	8.8%
<b>Wage and Salary Employment: <sup>(2)</sup></b>					
Total Farm	12,000	12,100	12,300	11,500	11,700
Mining, Logging, and Construction	1,800	1,900	1,900	2,000	2,200
Manufacturing	3,500	3,600	3,700	3,300	3,300
Wholesale Trade	900	1,000	1,000	900	900
Retail Trade	3,800	3,900	3,900	4,000	4,300
Transportation, Warehousing & Utilities	800	900	900	900	1,000
Information	300	300	300	300	300
Financial Activities	700	700	800	700	700
Professional and Business Services	2,500	2,400	2,700	2,800	2,900
Educational and Health Services	8,300	8,600	8,800	8,800	9,100
Leisure and Hospitality	3,400	3,500	3,700	3,300	3,700
Other Services	900	900	1,100	1,000	1,100
Federal Government	300	300	300	300	300
State Government	2,500	2,500	2,500	2,600	2,500
Local Government	8,000	8,200	8,400	7,900	8,100
<b>Total All Industries <sup>(3)</sup></b>	<b>49,700</b>	<b>50,900</b>	<b>52,200</b>	<b>50,400</b>	<b>52,000</b>

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(3)</sup> Columns may not add to totals due to rounding.

Source: State of California Employment Development Department.

## Income

The following table summarizes per capita personal income in the County, the State of California, and the United States for the years 2010 through 2019 (the last year for which such information is available).

**COUNTY OF MADERA,  
STATE OF CALIFORNIA, AND UNITED STATES  
Per Capita Personal Income 2010 through 2019**

<b>Year</b>	<b>Madera County</b>	<b>California</b>	<b>United States</b>
2010	\$28,450	\$43,636	\$40,546
2011	29,997	46,177	42,735
2012	31,712	48,819	44,598
2013	32,872	49,312	44,851
2014	34,811	52,376	47,058
2015	35,637	55,853	49,003
2016	37,231	58,074	49,995
2017	37,967	60,581	52,096
2018	39,094	63,759	54,581
2019	41,267	66,745	56,474

*Source: U.S. Department of Commerce, Bureau of Economic Analysis.*

**Commercial Activity**

Summaries of taxable sales in recent years within the County, and Chowchilla, are shown in the following two tables. Annual figures for 2021 are not yet available.

**COUNTY OF MADERA  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions**

	<b>Retail &amp; Food Services</b>		<b>Total All Outlets</b>	
	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	2,029	\$ 998,247,213	3,039	\$1,521,266,525
2016	2,110	1,034,342,661	3,136	1,542,013,345
2017	2,070	1,092,818,986	3,096	1,633,918,723
2018	2,000	1,149,044,516	3,110	1,677,951,470
2019	2,051	1,203,933,155	3,234	1,768,742,963
2020	2,217	1,378,438,295	3,547	1,952,667,693
2021	2,100	1,670,687,899	3,360	2,372,968,232

<sup>(1)</sup> Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

*Source: California Department of Tax and Fee Administration, Taxable Sales in California (Sales & Use Tax).*

**CITY OF CHOWCHILLA**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**

	Retail & Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 <sup>(1)</sup>	148	\$ 92,053,102	222	\$129,474,778
2016	167	89,125,033	242	128,948,521
2017	148	92,278,937	228	132,913,416
2018	152	99,788,703	246	144,719,498
2019	152	99,955,973	247	145,211,197
2020	168	101,345,403	279	140,951,036
2021	175	144,801,453	284	197,436,697

<sup>(1)</sup> Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California Department of Tax and Fee Administration, Taxable Sales in California (Sales & Use Tax).

**Construction Activity**

Building activity for the past five years in the County is shown in the following table. These figures are County-wide statistics and do not necessarily reflect construction trends in the District.

**COUNTY OF MADERA**  
**Total Building Permit Valuations**

	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019	2020	2021
<b>Permit Valuation</b>					
Residential	\$ 97,023,233	\$124,201,760	\$191,155,786	\$214,340,476	\$300,507,654
Nonresidential	42,925,446	85,497,875	49,026,779	54,892,316	118,868,326
<b>Total</b>	<b>\$155,339,625</b>	<b>\$215,186,325</b>	<b>\$240,182,565</b>	<b>\$269,232,792</b>	<b>\$419,375,980</b>
<b>Residential Units</b>					
Single Family	410	521	670	720	1,115
Multiple Family	-- <sup>(1)</sup>	-- <sup>(1)</sup>	44	110	34
<b>Total</b>	<b>410 <sup>(1)</sup></b>	<b>521 <sup>(1)</sup></b>	<b>714</b>	<b>830</b>	<b>1,149</b>

<sup>(1)</sup> Multi-Family permit figures unavailable/incomplete for 2017 and 2018 data.

Source: Construction Industry Research Board, Building Permit Summary.



Building activity for the past five years in Chowchilla is shown in the following table.

**CITY OF CHOWCHILLA**  
**Total Building Permit Valuations**

	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	2019	2020	2021
<b>Permit Valuation</b>					
Residential	\$8,136,568	\$10,613,736	\$2,774,184	\$1,854,976	\$13,023,814
Nonresidential	577,907	881,568	1,899,602	1,884,350	7,298,172
<b>Total</b>	<b>\$8,714,471</b>	<b>\$11,495,304</b>	<b>\$4,673,786</b>	<b>\$3,739,326</b>	<b>\$20,321,986</b>
<b>Residential Units</b>					
Single Family	46	48	8	6	72
Multiple Family	-- <sup>(1)</sup>	-- <sup>(1)</sup>	2	--	--
<b>Total</b>	<b>46 <sup>(1)</sup></b>	<b>48 <sup>(1)</sup></b>	<b>10</b>	<b>6</b>	<b>72</b>

<sup>(1)</sup> Multi-Family permit figures unavailable/incomplete for 2017 and 2018 data.

Source: Construction Industry Research Board, Building Permit Summary.

**Transportation**

The County is served by State Highway 99, one of the State's major north-south transportation routes. State Highways 152, 145, and 41 provide convenient access to U.S. Interstate 5, located 53 miles west of the City via State Route 152. Rail services are provided by Burlington Northern — Santa Fe Railroad and the Union Pacific Railroad. Scheduled air service to destinations in major cities in western states and in Mexico is available at the Fresno Yosemite International Airport located within 30 minutes of the City. General aviation facilities are located at the Madera Airport and the Chowchilla Airport.

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**APPENDIX C**

**AUDIT REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**CHOWCHILLA UNION HIGH SCHOOL DISTRICT  
COUNTY OF MADERA  
CHOWCHILLA, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2021**

**BORCHARDT, CORONA FAETH & ZAKARIAN  
Certified Public Accountants  
1180 E. Shaw Ave., Ste. 110  
Fresno, California 93710-7809**

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2021**

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◆◆◆  
Thomas R. Borchardt, CPA  
Consultant

## Independent Auditor's Report

Board of Trustees  
Chowchilla Union High School District  
Chowchilla, California

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

### Emphasis of Matter – Change in Accounting Principle

As described in Note A.2.a. to the financial statements, for the fiscal year ended June 30, 2021, Chowchilla Union High School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified in respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedules of the District's Proportionate Share of the Net Pension Liability, Schedules of District's Pension Contributions, and Schedule of Changes in the Total OPEB Liability and Related Ratios, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chowchilla Union High School District's basic financial statements. The other supplementary information schedules listed in the table of contents are presented for purposes of additional analysis as required by the State's audit guide, *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

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

### Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022, on our consideration of Chowchilla Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chowchilla Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chowchilla Union High School District's internal control over financial reporting and compliance.

*Borchardt, Corona, Faeth  
& Gyakarian*

Fresno, California  
February 4, 2022



## **Introductory Section**

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2021**

**INTRODUCTION**

Our discussion and analysis of the Chowchilla Union High School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ❑ Total net position was \$24,406,362 at June 30, 2021. This net decrease in net position of \$568,869 is the result of current year activity and a prior period adjustment of \$139,969 per the district's implementation of GASB 84.
- ❑ Overall expenditures were \$16,516,138 and exceeded revenue of \$15,807,300 by \$708,838.
- ❑ The combined General Fund balance increased by \$225,638 from \$4,524,826 at June 30, 2020 to \$4,750,464 at June 30, 2021.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
  - **Fiduciary fund** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**Government-Wide Statements**

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

The two government-wide statements report the District's net position and how it has changed. The net position-the difference between the assets and liabilities- is one way to measure the District's financial health or position.

- ❑ Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- **Governmental funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them.
- **Fiduciary funds** – the District is the trustee, or fiduciary, for assets that belong to others; for the district, the student body activities fund is an agency fund. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in the fiduciary fund financial statements. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

### Net Position

The District's combined net position was \$24,406,362 at June 30, 2021. See Table 1.

**Table 1**  
**Net Position**

	<b>Governmental Activities</b>		<b>Total</b>
	<b>2021</b>	<b>2020</b>	<b>Percentage</b>
			<b>Change</b>
			<b>2021-2020</b>
<b>Assets:</b>			
Cash	\$ 10,050,543	\$7,774,767	29.27%
Accounts Receivable	1,990,697	1,612,391	23.46%
Capital Assets, Net of Accumulated Depreciation	36,726,720	37,536,519	(2.16%)
<b>TOTAL ASSETS</b>	<b>48,767,960</b>	<b>46,923,677</b>	<b>3.93%</b>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows of Resources - Pensions	3,779,595	3,930,399	(3.84%)
Deferred Outflows of Resources - OPEB	216,219	183,809	17.63%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,995,814</b>	<b>4,114,208</b>	<b>(2.88%)</b>
<b>Liabilities:</b>			
Accounts Payable	3,037,137	1,146,654	>100.00%
Unearned Revenue	397,265	305,256	30.14%
Long-Term Debt	23,732,637	22,874,925	3.75%
<b>TOTAL LIABILITIES</b>	<b>27,167,039</b>	<b>24,326,835</b>	<b>11.68%</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows of Resources - Pensions	916,110	1,425,596	(35.74%)
Deferred Inflows of Resources - OPEB	19,925	25,962	(23.25%)
Deferred Gain on Refunding	254,338	284,260	(10.53%)
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,190,373</b>	<b>1,735,818</b>	<b>(31.42%)</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	29,238,034	29,291,815	(0.18%)
Restricted for:			
Federal and State Programs	693,527	135,071	>100.00%
Debt Service	1,997,519	1,930,773	3.46%
Capital Projects	1,144,542	1,107,346	3.36%
Unrestricted	(8,667,260)	(7,489,773)	(15.72%)
<b>TOTAL NET POSITION</b>	<b>\$ 24,406,362</b>	<b>\$ 24,975,232</b>	<b>(2.28%)</b>

## Changes in Net Position

The District's total revenue was \$15,807,300. A majority of the revenue comes from LCFF Sources (67.42%). See Table 2.

The total cost of all programs and services was \$16,516,138. The District's expenses are predominately related to educating and caring for students (70.39%). Administrative activities accounted for just 10.45% of total costs. The remaining expenses were for enterprise, ancillary services, plant services (maintenance and operations), other outgo and interest on long-term obligations.

**Table 2**  
**Changes in Net Position**

	<b>Total Activities</b>		<b>Percentage</b>
	<b>2021</b>	<b>2020</b>	<b>of Change</b>
			<b>2021-2020</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$ 7,715	\$ 54,030	(85.72%)
Operating Grants and Contributions	4,067,422	2,203,917	84.55%
General Revenues:			
LCFF Sources	10,656,953	12,561,840	(15.16%)
Federal and State Revenues	179,983	230,925	(22.06%)
Other Local Revenues	895,227	966,265	(7.35%)
<b>TOTAL REVENUES</b>	<b>15,807,300</b>	<b>16,016,977</b>	<b>(1.31%)</b>
<b>Expenses:</b>			
Instruction	8,364,934	8,172,214	2.36%
Instruction-Related Services	929,599	1,007,570	(7.74%)
Pupil Services	2,331,261	2,454,681	(5.03%)
Ancillary Services	268,364	251,743	6.60%
Enterprise	530	5,973	(91.13%)
General Administration	1,725,708	1,502,569	14.85%
Plant Services	2,103,592	2,123,431	(0.93%)
Other Outgo	454,954	462,500	(1.63%)
Interest on Long-Term Obligations	337,196	339,165	(0.58%)
<b>TOTAL EXPENSES</b>	<b>16,516,138</b>	<b>16,319,846</b>	<b>1.20%</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(708,838)</b>	<b>(302,869)</b>	<b>(&gt;100.00%)</b>
<b>BEGINNING NET POSITION</b>	<b>24,975,231</b>	<b>25,248,912</b>	<b>(1.08%)</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>139,969</b>	<b>29,188</b>	<b>&gt;100.00%</b>
<b>ENDING NET POSITION</b>	<b>\$ 24,406,362</b>	<b>\$ 24,975,231</b>	<b>(2.28%)</b>

## Governmental Activities

The cost of all governmental activities this year was \$16,516,138. Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was not funded by charges for services, operating grants and capital grants and contributions.

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Instruction	\$ 8,364,934	\$ 8,172,213	\$ 6,347,977	\$ 7,201,576
Instruction-Related Services	929,599	1,007,570	712,518	875,434
Pupil Services	2,331,261	2,454,681	1,527,893	1,815,014
Ancillary Services	268,364	251,743	149,499	213,101
Enterprise	530	5,973	111	2,424
General Administration	1,725,708	1,502,569	1,312,019	1,300,689
Plant Services	2,103,592	2,123,431	1,598,834	1,851,995
Other Outgo	454,954	462,500	454,954	462,500
Interest on Long-Term Obligations	337,196	339,165	337,196	339,165
<b>TOTAL</b>	<b>\$ 16,516,138</b>	<b>\$ 16,319,845</b>	<b>\$ 12,441,001</b>	<b>\$ 14,061,898</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,701,509 which reflects an increase of \$522,835 from last year's ending combined fund balance of \$8,178,674. See Table 4.

**Table 4**  
**Governmental Funds Balances and Activity**

	Balances and Activity			
	July 1, 2020	Revenues and Other Sources	Expenditures and Other Uses	June 30, 2021
General	\$ 3,962,435	\$ 14,514,012	\$ 14,624,171	\$ 3,852,276
Student Activity	139,969	71,773	85,508	126,234
Cafeteria	199,965	546,435	532,717	213,683
Adult Education	165	-	-	165
Deferred Maintenance	367,628	501,603	166,677	702,554
Pupil Transportation	275,794	298,713	105,440	469,067
Special Reserve Fund for Postemployment Benefits	194,598	871	-	195,469
Building	10,538	47	-	10,585
Capital Facilities	557,014	34,906	-	591,920
County School Facilities	202	1	-	203
Special Reserve Fund for Capital Outlay Projects	539,592	2,241	-	541,833
Bond Interest and Redemption	543,828	687,466	626,243	605,051
Debt Service	1,386,946	298,334	292,811	1,392,469
<b>Total</b>	<b>\$ 8,178,674</b>	<b>\$ 16,956,402</b>	<b>\$ 16,433,567</b>	<b>\$ 8,701,509</b>

The primary reason for the increase in the total combined fund balance is due to having less expenses in the 2020-21 fiscal year. All students were 100% distance learning. All teachers, instructional aides, counselors, and site administrators were working remotely. The district had less operating and transportation related expenses due to remote learning.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The budget revisions fall into the following categories:

- When the final amounts for State and Federal grants become available, budgets are revised.
- Budgets are revised when negotiations are completed.
- Final budget revisions are made to cover all areas of expenditures.

A schedule of the District's General Fund original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

The primary factors for the variation between original and final budget amounts are as follows:

- Revenues – increased by \$2,461,939 due to increases in LCFF funding and tax revenue, along with an increase to local taxes, interest, and other local income.
- Salaries and Benefits decreased by \$800,769 due to reduced overtime, extra time and substitute costs during the COVID shutdown, attrition, and inability to fill vacancies with qualified individuals during the pandemic.
- Other non-personnel expenditures decreased by \$96,233 due to reduced expenses for supplies and other operating costs during the COVID shutdown.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2021, the District had invested \$36,726,720 in a broad range of net capital assets, including land, buildings, improvements, equipment and work in progress (see Table 5). More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Table 5**  
**Capital Assets**

	Governmental Activities		Percentage
	2021	2020	of Change
			2021-2020
Land	\$ 4,815,050	\$ 4,815,050	0.00%
Buildings	43,446,655	43,284,778	0.37%
Improvements	1,936,989	1,920,161	0.88%
Equipment	3,157,928	2,712,739	16.41%
Work in Progress	7,200	7,200	0.00%
Total at Historical Cost	53,363,822	52,739,928	1.18%
Total Accumulated Depreciation	(16,637,102)	(14,756,549)	12.74%
<b>NET CAPITAL ASSETS</b>	<b>\$ 36,726,720</b>	<b>\$ 37,983,379</b>	<b>(3.31%)</b>

### Long-Term Debt

At year end, the District had \$23,732,637 in debt, consisting of General Obligation Bonds, Certificates of Participation and other debt as shown in Table 6. The District's overall debt increased by a net \$857,712 due to debt service repayments during the fiscal year, repayments on a capital lease and recognition of the changes in net pension liability and total OPEB liability. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table 6**  
**Long-Term Debt**

	Governmental Activities		Percentage
	2021	2020	of Change
			2021-2020
Net Pension Liability	\$ 13,432,080	\$ 12,045,115	11.51%
General Obligation Bonds	5,374,985	5,779,985	(7.01%)
Accreted Interest	1,130,070	1,021,266	10.65%
Certificates of Participation	1,643,000	1,906,000	(13.80%)
Total OPEB Liability	1,579,410	1,475,016	7.08%
Compensated Absences	102,391	88,824	15.27%
Capital Lease	470,701	558,719	(15.75%)
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 23,732,637</b>	<b>\$ 22,874,925</b>	<b>3.75%</b>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- ❑ The budget assumptions used to prepare the Original Budget 2021-22 included a 5.07% cost of living allowance (COLA) and flat funding for two subsequent years. The district projected enrollment of 1,098, UPC of 836 and 1,023.39 ADA. The effects of the pandemic on enrollment and attendance continues to be a concern.
- ❑ The increase to the Employer's STRS & PERS rates in subsequent years will have a negative effect on the future financial health of the District.
- ❑ Due to the COVID Pandemic, the entire 2020-21 school year was taught via distance learning. All Teachers, Instructional Aides, School Counselors and School Site Administrators worked remotely. The change in the delivery of instruction changed the climate of our district significantly, making it difficult to forecast the true operational costs for in-person instruction for the 2021-22 fiscal year.

- ❑ The Reopening Plan, the shortage of substitutes, staffing issues associated with returning to in-person instruction and learning loss will have a significant impact to the financial health of the district after one-time funds are expended.
- ❑ The turnover in administration, teachers and key level positions combined with distance learning/working remotely affected the district's ability to produce prior year instruction and attendance records. This resulted in several audit findings for the 2020-21 school year, three of which have a significant financial penalty. The total cost of these three findings will significantly impact the fiscal health of the district.

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

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Chowchilla Union High School District's Business Office at 805 Humboldt Avenue, Chowchilla, California.

## **Financial Section**



# CHOWCHILLA UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
<b>ASSETS:</b>	
Cash in County Treasury	\$ 9,921,093
Cash on Hand and in Banks	126,935
Cash in Revolving Fund	2,515
Accounts Receivable	1,990,697
Capital Assets:	
Land	4,815,050
Land Improvements, Net	833,883
Buildings, Net	29,767,116
Equipment, Net	1,303,471
Work in Progress	7,200
Total Assets	<u>48,767,960</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflows of Resources - Pensions	3,779,595
Deferred Outflows of Resources - OPEB	216,219
Total Deferred Outflows of Resources	<u>3,995,814</u>
<b>LIABILITIES:</b>	
Accounts Payable	3,037,137
Unearned Revenue	397,265
Noncurrent Liabilities:	
Net Pension Liability	13,432,080
Total OPEB Liability	1,579,410
Due within one year	911,160
Due in more than one year	7,809,987
Total Liabilities	<u>27,167,039</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows of Resources - Pensions	916,110
Deferred Inflows of Resources - OPEB	19,925
Deferred Gain on Refunding	254,338
Total Deferred Inflows of Resources	<u>1,190,373</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	29,238,034
Restricted For:	
Federal and State Programs	693,527
Debt Service	1,997,519
Capital Projects	1,144,542
Unrestricted	(8,667,260)
Total Net Position	<u>\$ 24,406,362</u>

The accompanying notes are an integral part of this statement.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
Instruction	\$ 8,364,934	\$ --	\$ 2,016,957	\$ (6,347,977)
Instruction-Related Services	929,599	--	217,081	(712,518)
Pupil Services	2,331,261	7,707	795,661	(1,527,893)
Ancillary Services	268,364	--	118,865	(149,499)
Enterprise	530	8	411	(111)
General Administration	1,725,708	--	413,689	(1,312,019)
Plant Services	2,103,592	--	504,758	(1,598,834)
Other Outgo	454,954	--	--	(454,954)
Interest on Long-Term Obligations	337,196	--	--	(337,196)
Total Governmental Activities	<u>16,516,138</u>	<u>7,715</u>	<u>4,067,422</u>	<u>(12,441,001)</u>
Total Primary Government	<u>\$ 16,516,138</u>	<u>\$ 7,715</u>	<u>\$ 4,067,422</u>	<u>(12,441,001)</u>
General Revenues:				
LCFF Sources				10,656,953
State Revenues				179,983
Local Revenues				<u>895,227</u>
Total General Revenues				<u>11,732,163</u>
Change in Net Position				<u>(708,838)</u>
Net Position - Beginning				24,975,231
Prior Period Adjustment				139,969
Net Position - Ending				<u>\$ 24,406,362</u>

The accompanying notes are an integral part of this statement.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 6,121,826	\$ 1,392,469	\$ 2,406,798	\$ 9,921,093
Cash on Hand and in Banks	42	--	126,893	126,935
Cash in Revolving Fund	1,000	--	1,515	2,515
Accounts Receivable	1,960,331	--	30,366	1,990,697
Total Assets	<u>8,083,199</u>	<u>1,392,469</u>	<u>2,565,572</u>	<u>12,041,240</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 2,935,470	\$ --	\$ 6,996	\$ 2,942,466
Unearned Revenue	397,265	--	--	397,265
Total Liabilities	<u>3,332,735</u>	<u>--</u>	<u>6,996</u>	<u>3,339,731</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	1,000	--	1,515	2,515
Restricted Fund Balances	1,308,294	--	907,711	2,216,005
Committed Fund Balances	702,554	--	--	702,554
Assigned Fund Balances	195,634	1,392,469	1,649,350	3,237,453
Unassigned:				
Reserve for Economic Uncertainty	438,725	--	--	438,725
Other Unassigned	2,104,257	--	--	2,104,257
Total Fund Balance	<u>4,750,464</u>	<u>1,392,469</u>	<u>2,558,576</u>	<u>8,701,509</u>
Total Liabilities and Fund Balances	<u>\$ 8,083,199</u>	<u>\$ 1,392,469</u>	<u>\$ 2,565,572</u>	<u>\$ 12,041,240</u>

The accompanying notes are an integral part of this statement.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

Total fund balances - governmental funds balance sheet	\$ 8,701,509
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	36,726,720
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,374,985)
Payables for capital leases which are not due in the current period are not reported in the funds.	(470,701)
Payables for bond interest which are not due in the current period are not reported in the funds.	(94,671)
Payables for notes which are not due in the current period are not reported in the funds.	(1,643,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(102,391)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(13,432,080)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(916,110)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	3,779,595
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,130,070)
Bond premiums are amortized in the SNA but not in the funds.	(254,338)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,579,410)
Deferred Resource Inflows related to the OPEB plans are not reported in the funds.	(19,925)
Deferred Resource Outflows related to the OPEB plans are not reported in the funds.	<u>216,219</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 24,406,362</u>

The accompanying notes are an integral part of this statement.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
LCFF Sources:				
State Apportionment or State Aid	\$ 4,050,687	\$ --	\$ --	\$ 4,050,687
Education Protection Account Funds	1,354,450	--	--	1,354,450
Local Sources	5,251,816	--	--	5,251,816
Federal Revenue	1,753,908	--	378,407	2,132,315
Other State Revenue	1,652,347	--	33,267	1,685,614
Other Local Revenue	453,278	5,523	820,533	1,279,334
<b>Total Revenues</b>	<u>14,516,486</u>	<u>5,523</u>	<u>1,232,207</u>	<u>15,754,216</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	6,840,345	--	--	6,840,345
Instruction - Related Services	825,917	--	--	825,917
Pupil Services	1,465,495	--	532,187	1,997,682
Ancillary Services	177,451	--	85,508	262,959
Enterprise	--	--	530	530
General Administration	1,572,971	--	--	1,572,971
Plant Services	1,876,260	--	--	1,876,260
Other Outgo	454,954	--	--	454,954
Capital Outlay	376,644	--	--	376,644
<b>Debt Service:</b>				
Principal	--	263,000	493,018	756,018
Interest	--	29,811	237,290	267,101
<b>Total Expenditures</b>	<u>13,590,037</u>	<u>292,811</u>	<u>1,348,533</u>	<u>15,231,381</u>
<b>Excess (Deficiency) of Revenues</b>				
Over (Under) Expenditures	<u>926,449</u>	<u>(287,288)</u>	<u>(116,326)</u>	<u>522,835</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	--	292,811	409,375	702,186
Transfers Out	<u>(700,811)</u>	<u>--</u>	<u>(1,375)</u>	<u>(702,186)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(700,811)</u>	<u>292,811</u>	<u>408,000</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	225,638	5,523	291,674	522,835
Fund Balance, July 1	4,524,826	1,386,946	2,126,933	8,038,705
Prior Period Adjustment	--	--	139,969	139,969
<b>Fund Balance, June 30</b>	<u>\$ 4,750,464</u>	<u>\$ 1,392,469</u>	<u>\$ 2,558,576</u>	<u>\$ 8,701,509</u>

The accompanying notes are an integral part of this statement.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balances - total governmental funds	\$ 522,835
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	376,645
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,184,772)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(1,672)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	405,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	88,018
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	263,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	29,922
The accretion of interest on capital appreciation bonds is not reported in the funds.	(108,804)
(Increase) decrease in accrued interest from beginning of period to end of period.	8,787
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(13,567)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource c	1,173,163
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(2,201,446)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(65,947)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (708,838)</u>

The accompanying notes are an integral part of this statement.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2021

	Private Purpose Trust Fund
<b>ASSETS:</b>	
Cash in County Treasury	\$ 663,677
Cash on Hand and in Banks	12,952
Cash with a Fiscal Agent/Trustee	304,963
Total Assets	<u>981,592</u>
<b>LIABILITIES:</b>	
Total Liabilities	<u>--</u>
<b>NET POSITION:</b>	
Held in Trust	\$ 981,592
Total Net Position	<u>\$ 981,592</u>

The accompanying notes are an integral part of this statement.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Investment Income	\$ 3,109
Net Increase in Fair Value of Investments	69,127
Contributions from Foundations, Gifts and Bequests	21,527
Total Additions	<u>93,763</u>
<b>DEDUCTIONS:</b>	
Scholarship Awards	13,750
Administrative Expenses	475
Total Deductions	<u>14,225</u>
<b>Change in Fiduciary Net Position</b>	<b>79,538</b>
Net Position-Beginning of the Year	902,054
Net Position-End of the Year	<u>\$ 981,592</u>

The accompanying notes are an integral part of this statement.



**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

A. Summary of Significant Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14 (as amended), *The Financial Reporting Entity*, include whether:

- the organization is legally separate organization (can sue and be sued in its name) for which the primary government is financially accountable.
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has determined that the Chowchilla Union High School Public Improvement Corporation (the Corporation) is a component unit. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State in December 1988 and October 1990. The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. The District occupies all Corporation facilities. The facilities were acquired from the Corporation under a lease purchase agreement which was effective through the year 2004. At the end of the lease term, title of all Corporation property passed to the District for no additional consideration.

For financial presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data of the District. The financial statements present the Corporation's financial activity within the Public Improvement Corporation Fund. Certificates of participation issued by the Corporation are included in the Long-Term Debt of the District. Fixed assets acquired or constructed by the Corporation are included in the Fixed Assets of the District. The Corporation does not issue separate financial statements.

2. Basis of Presentation, Basis of Accounting

a. Change in Accounting Principle

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

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

The provisions of this Statement have been implemented as of June 30, 2021. As a result of implementation of this Statement, beginning net position and governmental fund balance increased by \$139,969.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

b. Basis of Presentation

Government-Wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

**General Fund.** This is the District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

**Debt Service Fund.** This fund is used to account for the payment of the District's long term debts.

The District reports the following non-major governmental funds:

*Special Revenue Funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The following special revenue funds are utilized by the District:

- 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 clubs, general operations, athletics, and other student body activities.
- The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program.
- The Pupil Transportation Equipment Fund is used to account separately for state and local revenues for the acquisition, rehabilitation, or replacement of equipment used to transport students.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The District maintains the following capital projects funds:

- The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.
- The Capital Facilities Fund is used to account separately for resources received from developer impact fees levied on development projects as a condition of approval.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

- The County School Facilities Fund is used to account for new school facility construction, modernization projects and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998.
- The Special Reserve Fund for Capital Outlay Projects is used to account for the accumulation and expenditure of funds for capital outlay purposes as established by the Board in accordance with Education Code 42840 et seq.

*Other Debt Service Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The following debt service funds are maintained by the District:

- The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bond principal, interest, and related costs.
- The Public Improvement Corporation Fund is used to account for the accumulation of resources for, and the repayment of, Chowchilla Union High School District Public Improvement Corporation bonds, interest and related costs.

In addition, the District reports the following fund types:

*Fiduciary Funds* are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are, therefore, not available to support district programs, these funds are not included in the government-wide statements.

- Private-Purpose trust Funds: These funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

c. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. By state law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Madera County Treasury was not available.

Investments with a fiscal agent/trustee in the Private Purpose Trust Funds are held to provide financial assistance to students in the District.

b. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefitting period. The District has chosen to report the expenditure in the benefitting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20 - 50
Improvements	20
Vehicles	8
Equipment	5 - 15

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
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d. Receivable and Payable Balances

The District has provided detail of the receivable balances in Note F. The District believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates the payable balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is included in noncurrent liabilities - due within one year.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures

g. Long-Term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financial sources/uses. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds, are reported as debt service expenditures.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

i. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Madera bills and collects the taxes for the District.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
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j. Deferred Outflows/Inflows of Resources

Deferred outflows of resources is a consumption of net assets or position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

k. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the District:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board, the District's highest level of decision-making authority. This formal action is a resolution by the Governing Board.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent or Chief Business Official pursuant to authorization established by Board Policy 3100.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When expenditures/expenses are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amount in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to 3 percent of General Fund expenditures and other financing uses. It is also the District's Policy to maintain a minimum unassigned fund balance ranging from 17% to 20% of the District's General Fund annual operating expenditures. If a fund balance drops below 17%, it shall be recovered at a minimum rate of 1% minimally each year.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
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**i. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

**m. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the District's single-employer defined benefit OPEB Plan ("the Plan") have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**n. Use of Estimates**

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**C. Excess of Expenditures over Appropriations**

As of June 30, 2021, expenditures did not exceeded appropriations in the General Fund.

**D. Cash and Investments**

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

Statement of Net Position:

Governmental Activities:

Cash in County Treasury	\$ 9,921,093
Cash on Hand and in Banks	126,935
Cash in Revolving Fund	<u>2,515</u>
Total	<u>10,050,543</u>

Fiduciary Funds:

Cash in County Treasury	663,677
Cash in Banks	12,952
Cash with a Fiscal Agent/Trustee	<u>304,963</u>
Total	<u>981,592</u>

Grand Total Cash and Investments	<u><u>\$ 11,032,135</u></u>
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Cash and investments as of June 30, 2021 consist of the following:

Deposits with Financial Institutions	\$ 142,315
Cash on Hand	87
Deposits with County Treasury	10,584,770
Deposits with a Fiscal Agent/Trustee	<u>304,963</u>
Total Cash and Investments	<u><u>\$ 11,032,135</u></u>

**Cash in County Treasury**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Madera County Treasury as part of the common investment pool (the District's portion was \$10,584,770 as of June 30, 2021). The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's portion of this pool as of June 30, 2021, as provided by the pool sponsor, was \$10,554,902. Assumptions made in determining the fair value of the District's pooled investment portfolios are available from the County Treasurer. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The amount recorded on these financial statements is the balance available for withdrawal based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Cash in Banks and in Revolving Fund**

Cash balances held in financial institutions including cash in banks (\$139,800 as of June 30, 2021) and in the revolving fund (\$2,515) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institution is fully insured or collateralized



**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
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Cash With a Fiscal Agent/Trustee

Cash with a Fiscal Agent/Trustee in the Private Purpose Trust was \$304,963, representing cash used to provide financial assistance to students in the District. The cash is held in liquid mutual and money market funds stated at Fair Market Value.

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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.

Disclosures Relating to Credit Risk

Generally, 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.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: 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).

None of the District's deposits with financial institutions are in excess of federal depository insurance limits.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
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The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds of government investment pools.

**E. Fair Value**

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical of similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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 reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Cash in County Treasury (Investments in county treasury) in the Madera County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2021 were as follows:

	<u>Uncategorized</u>	<u>Total</u>
Cash in County Treasury (Investments in county treasury)	<u>\$ 10,584,770</u>	<u>\$ 10,584,770</u>

**F. Accounts Receivable**

Accounts receivable as of June 30, 2021, consist of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Apportionment	<u>\$ 1,588,346</u>	<u>\$ -</u>	<u>\$ 1,588,346</u>
Federal Government:			
Federal Programs	<u>144,559</u>	<u>27,776</u>	<u>172,335</u>
State Government:			
Categorical Aid Program	<u>52,877</u>	<u>-</u>	<u>52,877</u>
Lottery	<u>70,761</u>	<u>-</u>	<u>70,761</u>
Other	<u>-</u>	<u>2,318</u>	<u>2,318</u>
Total State Government	<u>123,638</u>	<u>2,318</u>	<u>125,956</u>
Local Government:			
Other	<u>101,665</u>	<u>93</u>	<u>101,758</u>
Interest	<u>-</u>	<u>179</u>	<u>179</u>
Miscellaneous	<u>2,123</u>	<u>-</u>	<u>2,123</u>
Totals	<u>\$ 1,960,331</u>	<u>\$ 30,366</u>	<u>\$ 1,990,697</u>

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**G. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,815,050	\$ -	\$ -	\$ 4,815,050
Work In Progress	7,200	-	-	7,200
Total capital assets not being depreciated	<u>4,822,250</u>	<u>-</u>	<u>-</u>	<u>4,822,250</u>
Capital assets being depreciated:				
Buildings	43,284,778	161,877	-	43,446,655
Land Improvements	1,936,989	-	-	1,936,989
Equipment	2,949,545	214,768	6,385	3,157,928
Total capital assets being depreciated	<u>48,171,312</u>	<u>376,645</u>	<u>6,385</u>	<u>48,541,572</u>
Less accumulated depreciation for:				
Buildings	12,763,787	915,752	-	13,679,539
Land Improvements	1,061,821	41,285	-	1,103,106
Equipment	1,631,435	227,735	4,713	1,854,457
Total accumulated depreciation	<u>15,457,043</u>	<u>1,184,772</u>	<u>4,713</u>	<u>16,637,102</u>
Total capital assets being depreciated, net	<u>32,714,269</u>	<u>(808,127)</u>	<u>1,672</u>	<u>31,904,470</u>
Governmental activities capital assets, net	<u>\$ 37,536,519</u>	<u>\$ (808,127)</u>	<u>\$ 1,672</u>	<u>\$ 36,726,720</u>

Depreciation was charged to functions as follows:

Instruction	\$ 907,705
Instruction-Related Services	2,402
Pupil Services	128,248
General Administration	25,037
Plant Services	121,380
	<u>\$ 1,184,772</u>

**H. Interfund Balances and Activities**

**1. Transfers To and From Other Funds**

Transfers in to and out from other funds at June 30, 2021, consisted of the following:

Transfers Out From	Transfers In To	Amount	Reason
General Fund	Cafeteria Fund	\$ 125,000	Needy meals contribution.
General Fund	Pupil Transportation Equipment Fund	283,000	Contribution for bus lease and school vehicles.
Bond Interest and Redemption	Bond Interest and Redemption	1,375	Contribution to cover 2014 bond debt service expenditures from 2005 bond.
General Fund	Debt Service Fund	292,811	Contribution for 2016 COP refunding payments.
		<u>\$ 702,186</u>	

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

I. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 5,779,985	\$ -	\$ 405,000	\$ 5,374,985	\$ 455,000
Accreted Interest	1,021,266	108,804	-	1,130,070	-
Compensated Absences	88,824	13,567	-	102,391	102,391
Direct Borrowings:					
Certificates of Participation	1,906,000	-	263,000	1,643,000	263,000
Capital Lease	558,719	-	88,018	470,701	90,769
<b>Totals</b>	<b>\$ 9,354,794</b>	<b>\$ 122,371</b>	<b>\$ 756,018</b>	<b>\$ 8,721,147</b>	<b>\$ 911,160</b>

The funds typically used to liquidate Compensated Absences in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

2. General Obligation Bonds

On February 23, 2006, the District issued \$1,830,000 in Serial Bonds with rates ranging from 3.75% to 4.15% maturing on August 1, 2024 and \$769,985 in capital appreciation bonds with interest rates ranging from 4.60% to 4.71% maturing on August 1, 2030. These bonds were from Election of 2004, Series 2006 bonds.

On December 17, 2014 the District issued General Obligation Refunding Bonds in the amount of \$4,455,000. The interest ranges from 2.0% to 5.0%. The final maturity date is August 1, 2029. The sources of this issue were used to defease a portion on the 2005 General Obligation Bonds. The defeasance of the bonds resulted in a deferred gain on refunding of \$433,871 and is being amortized as a component of interest expense over the life of the new bonds. The unamortized balance at June 30, 2021 was \$254,338.

The outstanding general obligation bonded debt of the District as of June 30, 2021, is:

Date of Issue	Interest Rate%	Maturity Date	Original Issue	Outstanding July 1, 2020	Redeemed Current Year	Outstanding June 30, 2021
2006	3.75-4.15	2025	1,830,000	1,075,000	165,000	910,000
2006	4.60-4.71	2031	769,985	769,985	-	769,985
2014	2.00-5.00	2030	4,455,000	3,935,000	240,000	3,695,000
			<b>\$ 7,054,985</b>	<b>\$ 5,779,985</b>	<b>\$ 405,000</b>	<b>\$ 5,374,985</b>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2021, are as follows:

**Series 2006 (Serial Bonds)**

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 185,000	\$ 32,700	\$ 217,700
2023	215,000	24,700	239,700
2024	240,000	15,600	255,600
2025	270,000	5,400	275,400
<b>Totals</b>	<b>\$ 910,000</b>	<b>\$ 78,400</b>	<b>\$ 988,400</b>

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**Series 2006 (Capital Appreciation Bonds)**

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2026-2030	\$ 518,553	\$ 1,321,447	\$ 1,840,000
2031	251,432	808,568	1,060,000
Totals	<u>\$ 769,985</u>	<u>\$ 2,130,015</u>	<u>\$ 2,900,000</u>

**Series 2014 (Serial Bonds)**

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 270,000	\$ 167,500	\$ 437,500
2023	300,000	153,250	453,250
2024	335,000	137,375	472,375
2025	365,000	119,875	484,875
2026	405,000	100,625	505,625
2027-2030	2,020,000	185,750	2,205,750
Totals	<u>\$ 3,695,000</u>	<u>\$ 864,375</u>	<u>\$ 4,559,375</u>

During the year, the District made payments on General Obligation Bonds of \$624,868 including interest of \$219,868. Capital Appreciation Bonds are accretive. Accretive Bond interest accumulates in the initial years and will be repaid in later years.

3. Certificates of Participation

On August 9, 2016, the Chowchilla Union High School Public Improvement Corporation issued refunding certificates of participation in the amount of \$2,890,000. The certificates were issued to advance refund the balance remaining on the previous issue at a lower interest rate. Semi-annual payments will be made with an interest rate of 1.68%.

The Corporation's portions of future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 263,000	\$ 25,393	\$ 288,393
2023	272,000	20,899	292,899
2024	266,000	16,380	282,380
2025	275,000	11,836	286,836
2026	282,000	7,157	289,157
2027	285,000	2,394	287,394
Totals	<u>\$ 1,643,000</u>	<u>\$ 84,059</u>	<u>\$ 1,727,059</u>

During the year the Chowchilla Union High School Public Improvement Corporation made payments on Certificates of Participation of \$292,811 including interest of \$29,811.

4. Capital Leases

The District has entered into capital lease contracts for the purchase of five buses valued at \$673,105. Future minimum lease payments are as follows:

Year Ending June 30,	Payments
2022	\$ 105,440
2023	105,440
2024	105,440
2025	105,440
2026	93,020
Total Minimum Lease Payments	514,780
Amount Representing Interest	(44,079)
Present Value of Net Minimum Lease Payments	<u>\$ 470,701</u>

During the year, the District made payments on the capital lease of \$105,440, of which \$17,422 represents interest.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**J. Commitments Under Noncapitalized Leases**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2021, as follows:

Year Ending June 30,	Lease Payments
2022	\$ 42,126
2023	1,896
Total	<u>\$ 44,022</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

The District made lease payments of \$70,796 for equipment items during the year ended June 30, 2021.

**K. Detail of Fund Balance Classifications**

Details of assigned and committed Fund Balances are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds
Assigned for:			
Adult Education	\$ 165	\$ -	\$ -
Post-Employment Benefits	195,469	-	-
Debt Service - COP Repayment	-	1,392,469	-
Pupil Transportation	-	-	469,067
Capital Outlay Projects	-	-	552,621
Food Service	-	-	22,612
Bond Interest and Redemption	-	-	605,050
Total	<u>\$ 195,634</u>	<u>\$ 1,392,469</u>	<u>\$ 1,649,350</u>
Committed for:			
Deferred Maintenance	<u>\$ 702,554</u>	<u>\$ -</u>	<u>\$ -</u>

**L. Joint Ventures (Joint Powers Agreements)**

The District participates in joint ventures under joint powers agreements (JPAs) with the California Risk Management Authority and Self-Insured Schools of California III. The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for financial reporting purposes.

Condensed audited financial information for the above JPAs (the most current information available) can be obtained through each respective authority.

**California Risk Management Authority (CRMA)**

CRMA arranges for and provides workers' compensation, property and liability insurance for its member districts. CRMA is governed by a Board consisting of a representative from each member district. The Board controls the operations of CRMA, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in CRMA.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

Self-Insured Schools of California III (SISC III)

SISC III arranges for and provides health, dental and vision insurance for its member districts. SISC III is governed by a Board consisting of a representative from each member district. The Board controls the operations of SISC III, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in SISC III.

**M. Pension Plans**

**1. General Information About the Pension Plans**

**a. Plan Descriptions**

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

**b. Benefits Provided**

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits for the measurement period ending June 30, 2020 are summarized as follows:

	CalSTRS		CalPERS	
	Before Jan. 1, 2013	After Jan. 1, 2013	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date	Jan. 1, 2013	Jan. 1, 2013	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%

\* Amounts are limited to 120% of Social Security Wage Base.

**c. Contributions – CalPERS**

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 the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2021, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 7.00% of annual pay, and the employer's contribution rate is 20.70% of annual payroll. District contributions to the pension plan were \$475,028 for the year ended June 30, 2021, and equal 100% of the required contributions for the year.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

d. Contributions – CalSTRS

For the year ended June 30, 2021, Section 22950 of the California Education code requires CalSTRS 2% at 60 and 2% at 62 members to contribute monthly to the system 10.25% and 10.205% of the creditable compensation, respectively, upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 16.15% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. District contributions to the pension plan were \$698,135 for the year ended June 30, 2021, and equal 100% of the required contributions for the year.

e. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the year ended June 30, 2021, the State contributed \$484,518 on behalf of the District to CalSTRS. 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.

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan. The CalSTRS net pension liability reflects 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 of each plan, the related CalSTRS State support, and the total portion of the net pension liability that is associated with the District is as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
District's proportionate share of the net pension liability	\$ 8,149,450	\$ 5,282,630	\$ 13,432,080
State's proportionate share of the net pension liability associated with the District	<u>4,201,008</u>	-	<u>4,201,008</u>
Total	<u>\$ 12,350,458</u>	<u>\$ 5,282,630</u>	<u>\$ 17,633,088</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by the actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2019 and 2020 was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2019	0.007972%	0.016624%
Proportion - June 30, 2020	<u>0.008409%</u>	<u>0.017217%</u>
Change - Increase (Decrease)	<u>0.000437%</u>	<u>0.000593%</u>



**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

For the year ended June 30, 2021, the District recognized pension expense of \$2,740,720 and revenue of \$539,274 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,173,163	\$ -
Differences between actual and expected experience	276,382	229,828
Change in assumptions	814,059	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,212,439	686,282
Net difference between projected and actual earnings on plan investments	<u>303,552</u>	<u>-</u>
Total	<u>\$ 3,779,595</u>	<u>\$ 916,110</u>

\$1,173,163 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2022	\$ (419,934)
2023	(514,985)
2024	(600,851)
2025	(114,780)
2026	14,006
Thereafter	<u>(53,778)</u>
Total	<u>\$ (1,690,322)</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry Age - Normal Cost Method	Entry Age - Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Payroll Growth	3.50%	(3)
Post Retirement Benefit Increase	(1)	(4)
Investment Rate of Return	7.10%	7.15%
Mortality	(2)	(5)

(1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.

(2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvements factor from the Mortality Improvements Scale (MP-2016) table issued by the Society of Actuaries.

(3) Wage growth is a component of inflation for CalPERS assumptions.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

(4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.

(5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

**b. Discount Rate**

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from CalSTRS and CalPERS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every four years.

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.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return and arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalPERS

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return (Years 1-10)(1)</u>	<u>Real Return (Years 11+)(2)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%
	<u>100.00%</u>		

(1) An expected inflation of 2.0% used for this period

(2) An expected inflation of 2.92% used for this period

CalSTRS

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	42.00%	4.80%
Real Estate	15.00%	3.60%
Private Equity	13.00%	6.30%
Fixed Income	12.00%	1.30%
Risk Mitigating Strategies	10.00%	1.80%
Inflation Sensitive	6.00%	3.30%
Cash/Liquidity	2.00%	-0.40%
	<u>100.00%</u>	

\* 20-year average.

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 12,312,683	\$ 7,594,744
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 8,149,450	\$ 5,282,630
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 4,712,114	\$ 3,363,691

d. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**N. Post-Employment Benefits Other than Pension Benefits**

**1. General Information about the OPEB Plan**

Plan Description

In addition to the pension benefits described in Note M the District provides up to three years of post-employment health care benefits to certificated employees who retire from the District on or after attaining age 55 with at least 10 continuous years of service in the District. The District also provides supplemental early retirement plan benefits to certificated staff. The District provides up to three years of post-employment health care to classified employees who retire from the District on or after attaining the age of 55 with at least 20 continuous years in a classified position. Prior to June 30, 1999, the District provided lifetime post-retirement health care benefits to Board members who had served 12 or more years on this Board. Board members retiring in the future will not be eligible for district-paid retiree health benefits. The plan is a single-employer defined benefit OPEB plan administered by District's board of directors. Authority to establish and amend the benefit terms and financing requirements lies with the District's board of directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB 75 statement.

Employees Covered by Benefit Terms

As of June 30, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	7
Inactive Employees Entitled to But Not Yet Receiving Benefits	-
Participating Active Employees	<u>103</u>
Total Number of participants	<u><u>110</u></u>

Contributions

The contribution requirements of OPEB Plan members and the District are established and may be amended through negotiations between the District and the respective bargaining units. The voluntary contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2021, the District contributed \$69,284 to the Plan, of which \$69,284 was used for current premiums.

An actuarially determined contribution was not calculated for OPEB for the fiscal year, therefore a 10 year schedule is not presented in the required supplementary information.

**2. Total OPEB Liability**

The District's total OPEB liability of \$1,579,410 was measured as of June 30, 2021 and was determined by an actuarial valuation date of July 1, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability on the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	3.00 percent
Salary Increases	3.00 percent, average, including inflation
Discount Rate	1.92 percent
Healthcare Cost Trend Rates	5.80 percent

Pre-retirement and postretirement mortality rates for Certificated and Certificated Management was from CalSTRS Experience Analysis (2015-2018). Pre-retirement and postretirement mortality rates for Classified and Classified Management, Confidential and Board Members was from CalPERS Experience Study (1997-2015).

The actuarial assumptions used on the July 1, 2019 valuation were based on a review of plan experience during the period of July 1, 2017 to June 30, 2019.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

Discount Rate

The discount rate was based on the Bond Buyer 20-bond General Obligation Index. It was assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

3. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 1,475,016
Changes for the year:	
Service cost	94,068
Interest on Total OPEB Liability	37,301
Expected Investment Income	-
Administrative Expenses	-
Employee Contributions	-
Employee Contributions to Trust	-
Employer Contributions as Benefit Payments	-
Actual Benefit Payments from Trust	-
Actual Benefit Payments from Employer	(93,744)
Experience (Gains)/Losses from Expected Minus Actual Benefit Payments	-
Expected Balance at June 30, 2021	<u>1,512,641</u>
Experience (Gains)/Losses	-
Changes in Assumptions	66,769
Changes in Benefit Terms	-
Investment Gains/(Losses)	-
Other	-
Net changes	<u>104,394</u>
Balance at June 30, 2021	<u>\$ 1,579,410</u>

The discount rate of 1.92% for fiscal year ended June 30, 2021 decreased by 0.53% from the discount rate of 2.45% in the prior measurement period of June 30, 2020. There were no other changes in benefit terms and other inputs for the fiscal year ended June 30, 2021.

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<u>District's OPEB Plan</u>
1% decrease	0.92%
Total OPEB Liability	\$ 1,715,596
Current discount rate	1.92%
Total OPEB Liability	\$ 1,579,410
1% increase	2.92%
Total OPEB Liability	\$ 1,456,417

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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

The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>District's OPEB Plan</u>
1% decrease	4.80%
Total OPEB Liability	\$ 1,392,922
Current discount rate	5.80%
Total OPEB Liability	\$ 1,579,410
1% increase	6.80%
Total OPEB Liability	\$ 1,798,547

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$159,691. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made subsequent to measurement date	\$ -	\$ -
Differences between expected and actual experience	56,710	-
Change in assumptions	159,509	19,925
Net difference between projected and actual earnings on OPEB plan investments	-	-
	<u>\$ 216,219</u>	<u>\$ 19,925</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follow:

<u>Year Ended June 30:</u>	
2022	\$ 28,322
2023	28,322
2024	28,322
2025	32,545
2026	34,359
Thereafter	44,424
Total	<u>\$ 196,294</u>

O. Commitments and Contingencies

State and Federal Allowances, Awards and Grants

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

## **Required Supplementary Information**

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 5,016,884	\$ 5,928,412	\$ 4,050,687	\$ (1,877,725)
Education Protection Account Funds	1,577,731	1,354,450	1,354,450	--
Local Sources	4,868,009	5,251,816	5,251,816	--
Federal Revenue	1,085,782	1,753,908	1,753,908	--
Other State Revenue	1,037,107	1,599,470	1,652,347	52,877
Other Local Revenue	293,882	453,278	453,278	--
Total Revenues	<u>13,879,395</u>	<u>16,341,334</u>	<u>14,516,486</u>	<u>(1,824,848)</u>
Expenditures:				
Current:				
Certificated Salaries	4,885,122	4,765,991	4,765,991	--
Classified Salaries	2,153,606	1,868,013	1,868,013	--
Employee Benefits	3,795,289	3,399,244	3,399,244	--
Books And Supplies	1,039,411	1,389,277	1,389,277	--
Services And Other Operating Expenditures	1,983,228	1,335,914	1,335,914	--
Other Outgo	467,017	454,954	454,954	--
Capital Outlay	163,366	376,644	376,644	--
Total Expenditures	<u>14,487,039</u>	<u>13,590,037</u>	<u>13,590,037</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(607,644)</u>	<u>2,751,297</u>	<u>926,449</u>	<u>(1,824,848)</u>
Other Financing Sources (Uses):				
Transfers In	125,000	--	--	--
Transfers Out	(1,025,812)	(700,811)	(700,811)	--
Total Other Financing Sources (Uses)	<u>(900,812)</u>	<u>(700,811)</u>	<u>(700,811)</u>	<u>--</u>
Net Change in Fund Balance	(1,508,456)	2,050,486	225,638	(1,824,848)
Fund Balance, July 1	4,524,826	4,524,826	4,524,826	--
Fund Balance, June 30	<u>\$ 3,016,370</u>	<u>\$ 6,575,312</u>	<u>\$ 4,750,464</u>	<u>\$ (1,824,848)</u>



**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS\***

	Fiscal Years**						
	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability (asset)	0.007937%	0.008619%	0.007406%	0.008346%	0.008704%	0.007972%	0.008409%
District's proportionate share of the net pension liability (asset)	\$ 4,638,229	\$ 5,802,630	\$ 5,989,943	\$ 7,718,319	\$ 7,999,915	\$ 7,200,108	\$ 8,149,450
State's proportionate share of the net pension liability (asset) associated with the District	2,800,791	3,068,943	\$ 3,410,470	\$ 4,566,129	4,580,348	3,928,171	4,201,008
<b>Total</b>	<b>\$ 7,439,020</b>	<b>\$ 8,871,573</b>	<b>\$ 9,400,413</b>	<b>\$ 12,284,448</b>	<b>\$ 12,580,263</b>	<b>\$ 11,128,279</b>	<b>\$ 12,350,458</b>
District's covered-employee payroll	\$ 3,633,847	\$ 3,731,644	\$ 3,822,351	\$ 4,487,281	\$ 4,681,761	\$ 4,586,940	\$ 4,574,985
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	127.64%	155.50%	156.71%	172.00%	170.87%	156.97%	178.13%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

\*\* Information presented is for the fiscal year ended on the measurement date of the net pension liability.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS\***

	Fiscal Years						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 331,370	\$ 410,167	\$ 564,500	\$ 675,589	\$ 746,913	\$ 782,167	\$ 698,135
Contributions in relation to the contractually required contributions	<u>(331,370)</u>	<u>(410,167)</u>	<u>(564,500)</u>	<u>(675,589)</u>	<u>(746,913)</u>	<u>(782,167)</u>	<u>(698,135)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,731,644	\$ 3,822,351	\$ 4,487,281	\$ 4,681,761	\$ 4,586,940	\$ 4,574,985	\$ 4,323,952
Contributions as a percentage of covered-employee payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS\***

	Fiscal Years**						
	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability (asset)	0.013914%	0.013850%	0.013426%	0.014361%	0.014625%	0.016624%	0.017217%
District's proportionate share of the net pension liability (asset)	\$ 1,579,584	\$ 2,041,437	\$ 2,651,599	\$ 3,428,290	\$ 3,899,580	\$ 4,845,007	\$ 5,282,630
District's covered-employee payroll	\$ 1,464,739	\$ 1,533,200	\$ 1,610,579	\$ 1,832,161	\$ 1,929,703	\$ 2,340,974	\$ 2,476,473
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	107.84%	133.15%	164.64%	187.12%	202.08%	206.97%	213.31%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

\*\* Information presented is for the fiscal year ended on the measurement date of the net pension liability.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS\***

	Fiscal Years						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 180,473	\$ 190,804	\$ 254,451	\$ 299,693	\$ 422,830	\$ 488,374	\$ 475,028
Contributions in relation to the contractually required contribution	(180,473)	(190,804)	(254,451)	(299,693)	(422,830)	(488,374)	(475,028)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,533,200	\$ 1,610,579	\$ 1,832,161	\$ 1,929,703	\$ 2,340,974	\$ 2,476,473	\$ 2,294,819
Contributions as a percentage of covered-employee payroll	11.771%	11.847%	13.888%	15.531%	18.062%	19.721%	20.700%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS\***

	Fiscal Year**			
	2018	2019	2020	2021
Total OPEB Liability				
Service Cost	\$ 79,364	\$ 76,318	\$ 82,177	\$ 94,068
Interest on total OPEB liability	34,888	40,698	43,521	37,301
Difference between expected and actual experience	-	-	74,714	-
Changes of assumptions	(44,073)	45,370	95,271	66,769
Benefit payments	<u>(56,387)</u>	<u>(64,824)</u>	<u>(74,616)</u>	<u>(93,744)</u>
Net change in total OPEB liability	<u>13,792</u>	<u>97,562</u>	<u>221,067</u>	<u>104,394</u>
Total OPEB liability - beginning	<u>1,142,595</u>	<u>1,156,387</u>	<u>1,253,949</u>	<u>1,475,016</u>
Total OPEB liability - ending	<u>\$ 1,156,387</u>	<u>\$ 1,253,949</u>	<u>\$ 1,475,016</u>	<u>\$ 1,579,410</u>
Covered-employee payroll	\$ 6,967,633	\$ 7,057,250	\$ 7,603,337	\$ 6,848,196
Total OPEB liability as a percentage of covered-employee payroll	16.60%	17.77%	19.40%	23.06%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

\*\*Information presented is for the fiscal year ended on the measurement date of the total OPEB liability.

## **Supplementary Information Section**

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT  
ORGANIZATION  
YEAR ENDED JUNE 30, 2021**

The District was established on September 11, 1916, and is comprised of an area of 109.3 square miles located in Madera County. There were no changes in the boundaries of the District during the year ended June 30, 2021. The District is currently operating one high school and one continuation high school.

**Board of Trustees**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Mike Cargill	President	November 2022
Charlene Espinola	Clerk	November 2022
Pat DeWall	Member	November 2022
Joe Botelho	Member	November 2022
Brandon Moore	Member	November 2022

**Administration**

Ronald V. Seals  
District Superintendent Since July 1, 2006

Margarita Yamasaki  
Director of Business Services since July 1, 2019

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**YEAR ENDED JUNE 30, 2021**

<u>Grade Level</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Credited Per Approved J-13 A</u>	<u>Total Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status*</u>
Grade 9	104	0	104	N/A	Not in Compliance
Grade 10	104	0	104	N/A	Not in Compliance
Grade 11	104	0	104	N/A	Not in Compliance
Grade 12	104	0	104	N/A	Not in Compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts. This requirement does not apply to the fiscal year ending June 30, 2021.

This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

\*See finding 2021-004 Attendance – Instructional Time #10000 for further details.



**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2021**

<u>General Fund</u> <sup>(2)</sup>	(Budget) <sup>(1)</sup>			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues and Other Financial Sources	\$ 20,886,230	\$ 14,516,486	\$ 14,937,603	\$ 14,650,316
Expenditures	21,725,509	13,590,037	13,326,790	13,794,387
Other Uses and Transfers Out	846,393	700,811	674,584	816,283
Total Outgo	22,571,902	14,290,848	14,001,374	14,610,670
Change in Fund Balance (Deficit)	(1,685,672)	225,638	936,229	39,646
Prior Period Adjustment	-	-	29,188	-
Ending Fund Balance	\$ 3,064,792	\$ 4,750,464	\$ 4,524,826	\$ 3,559,409
Available Reserves <sup>(3)</sup>	\$ 3,645,982	\$ 2,542,982	\$ 3,269,926	\$ 2,699,046
Available Reserves as a Percentage of Total Outgo	16.15%	17.79%	23.35%	18.47%
Total Long-Term Debt	\$ 22,821,477	\$ 23,732,637	\$ 22,874,925	\$ 22,546,141
Average daily attendance	1,023	1,023*	1,023	1,039

- (1) Budget 2022 is included for analytical purposes only and has not been subjected to audit.
- (2) The Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund for Post-Employment Benefits have been included due to their consolidation into the General Fund.
- (3) Available reserves consist of all unassigned fund balance and all funds reserved for economic uncertainties contained within the General Fund.

This schedule discloses the District's financial trends by displaying past years' data along with budget information for the fiscal year ending June 30, 2022. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased by \$1,191,055 over the past two years. The fiscal year 2021-22 budget projects a decrease of \$1,685,672 (35.48%). For a district of this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in the past three years, however it anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term debt has increased by \$1,186,496 over the past two years. This increase is in great part the result of an increase in net pension liability reported under GASB Statement 68, an increase in capital leases for the purchase of buses, and increase in total OPEB liability.

Average daily attendance has decreased by 16 over the past two years. No change in ADA is anticipated during fiscal year 2021-22.

\*For fiscal year 2020-21, the District was funded on 2019-20 ADA, adjusted according to provisions specified in EC Section 43502, as applicable.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing/ CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Education:</b>			
Direct Programs:			
ESSA: Title V, Part B, Rural & Low Income School Program (aka REAP)	84.358	14356	\$ 27,762
Passed through California Department of Education (CDE):			
ESSA: Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	414,456
ESSA: School Improvement (CSI) Funding for LEAs	84.010	15438	24,853
Subtotal			439,309
Special Ed: IDEA, Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	67,269
Carl D. Perkins Career & Technical Education:			
Secondary, Section 131 (Vocational Education)	84.048	14894	36,809
ESSA: Title IV, Part B, 21st Century Community Learning Centers Program			
	84.287	14349	35,015
ESSA: Title III, English Learner Student Program			
	84.365	14346	9,706
ESSA: Title II, Part A, Supporting Effective Instruction			
	84.367	14341	50,870
ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants			
	84.424	15396	58,738
COVID-19 - Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	129,625
COVID-19 - Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	35,881
COVID-19 - Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	21,171
Subtotal			186,677
Total Passed through California Department of Education			884,393
Total U.S. Department of Education			912,155
<b>U.S. Department of the Treasury:</b>			
Passed through California Department of Education (CDE):			
COVID-19 - Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	862,924
Total U.S Department of Treasury			862,924
<b>U.S. Department of Agriculture:</b>			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	13390	125,502
National School Lunch Program	10.555	13391	199,916
Food Distribution - Commodities	10.555	13391	31,818
Subtotal - Child Nutrition Cluster			357,236
Total U.S Department Agriculture			357,236
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,132,315</b>

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Chowchilla Union High School District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs 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 financial position, or cash flow of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

The District has elected not to use the 10-percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Non-Cash Assistance

Non-cash assistance in the form of donated foods was received from California Department of Education as a pass-through grant from the U.S. Department of Agriculture. The District reports the donated foods received on the Schedule at the fair value at time of receipt. The amount received during 2020-21 was \$31,818.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

	General Fund	Other Governmental Funds
June 30, 2021 Annual Financial and Budget Report (SACS) Fund Balances	\$ 6,575,312	\$ 2,520,815
Adjustments and Reclassifications:		
Increasing (decreasing) the fund balance:		
Cash in Bank Understatement	-	37,761
Accounts Receivable Understatement	52,877	-
Accounts Payable (Understatement)	(1,877,725)	-
Net Adjustments and Reclassifications	<u>(1,824,848)</u>	<u>37,761</u>
June 30, 2021 audited financial statement fund balance	<u>\$ 4,750,464</u>	<u>\$ 2,558,576</u>
	<u>Noncurrent Liabilities</u>	
June 30, 2021 Annual Financial and Budget Report - Form Debt	\$22,495,386	
Adjustments and Reclassifications:		
Increase (decrease) in Total Liabilities:		
General obligation bonds	(405,000)	
Accreted interest	108,804	
Certificates of Participation	29,811	
Net Pension Liability	1,386,965	
Total OPEB Liability	104,394	
Compensated absences	(5,145)	
Capital Leases	17,422	
Net Adjustments and Reclassifications	<u>1,237,251</u>	
June 30, 2021 Noncurrent Liabilities	<u>\$23,732,637</u>	

This schedule provides the information necessary to reconcile the fund balances of all funds and the total long-term liabilities as reported on the annual financial and budget report to the audited financial statements. Funds that required no adjustment are not presented.

## **Other Independent Auditor's Reports**

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*

Board of Trustees  
Chowchilla Union High School District  
Chowchilla, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chowchilla Union High School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Chowchilla Union High School District's basic financial statements, and have issued our report thereon dated February 4, 2022.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Borchardt, Corona, Faeth  
& Lykavian*

Fresno, California  
February 4, 2022

Independent Auditor's Report on State Compliance

Board of Trustees  
Chowchilla Union High School District  
Chowchilla, California

**Report on State Compliance**

We have audited Chowchilla Union High School District's, (the District's) compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2021.

**Management's Responsibility for State Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS (EXCEPT AS NOTED):</b>	
Attendance Accounting:	
Attendance and Distance Learning (Applicable to Classroom-based Charters)	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Instructional Time:	
School Districts (Applicable to Classroom-based Charters)	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

**LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS (EXCEPT AS NOTED):**

K-3 Grade Span Adjustment	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND  
CHARTER SCHOOLS:**

California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

**CHARTER SCHOOLS:**

Independent Study-Course Based	N/A
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

**Basis for Qualified Opinion on Attendance and Distance Learning**

As described in the accompanying schedule of findings and questioned costs, Chowchilla Union High School District did not comply with the requirement regarding Attendance and Distance Learning as described in finding number 2021-002 and 2021-004. Compliance with such requirements is necessary, in our opinion, for Chowchilla Union High School District to comply with the requirements applicable to that program.

**Qualified Opinion on Attendance and Distance Learning**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Chowchilla Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Attendance and Distance Learning for the year ended June 30, 2021.

**Unmodified Opinion on Each of the Other State Programs**

In our opinion, Chowchilla Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other state programs for the year ended June 30, 2021.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the above requirements, which are required to be reported in accordance with the State's audit guide, *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-003, 2021-005, 2021-006 and 2021-007. Our opinion on state compliance is not modified with respect to these matters.

Chowchilla Union High School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Chowchilla Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

*Borchardt, Corona, Faeth  
& Lykavian*

Fresno, California  
February 4, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees  
Chowchilla Union High School District  
Chowchilla, California

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Chowchilla Union High School District's compliance.

**Opinion on Each Major Federal Program**

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

**Report on Internal Control Over Compliance**

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

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

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

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

*Borchardt, Corona, Faeth  
& Hakavian*

Fresno, California  
February 4, 2022

## **Findings and Recommendations Section**

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:  
 Material weakness (es) identified? \_\_\_\_\_ Yes  X  No  
 Significant deficiency (ies) identified not considered  
 to be material weakness (es) \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

2. Federal Awards

Internal control over major programs:  
 Material weakness (es) identified? \_\_\_\_\_ Yes  X  No  
 Significant deficiency (ies) identified not considered  
 to be material weakness (es) \_\_\_\_\_ Yes  X  No

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 Title 2 CFR 200.516(a)? \_\_\_\_\_ Yes  X  No

Identification of major programs:

<u>Federal Assistance Listing/CDFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 – Coronavirus Relief Fund (CRF): Learning Loss Mitigation

Dollar threshold used to distinguish between  
 Type A and Type B programs **\$750,000**

Auditee qualified as low-risk Auditee? \_\_\_\_\_  X  Yes \_\_\_\_\_ No

1. State Awards

Internal control over state programs:  
 Material weakness (es) identified? \_\_\_\_\_ Yes  X  No  
 Significant deficiency (ies) identified not considered  
 to be material weakness (es)  X  Yes \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for  
 State programs: **Qualified**

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**State Award Findings and Questioned Costs**

Finding Identification

2021 – 001 *Attendance and Distance Learning #10000*

Criteria or Specific Requirement

Education Code Section 43504(f)(1)

Condition

During our testwork on the district's attendance and distance learning compliance, we found teacher period classes in which four students who were on the distance learning instructional offering had weekly engagement records showing verification of daily participation while the district reported an absence for the student for the teacher period class in their attendance records. Also, we found one student on the distance learning instructional offering who had weekly engagement records showing verification of no daily participation but was not documented as absent for that school day in our test week.

Effect

The district's misreported absences and attendance credit may have involved errors when reporting absences for purposes of chronic absenteeism rates in its local control and accountability plan.

Cause

The misreported absences were due to inadvertent oversights by the district.

Questioned Costs

None

Identification of Repeat Finding

The audit finding is not a repeat of a finding in the immediately prior audit.

Recommendation

Although distance learning was only applicable for the 2020-21 school year, the district should implement additional review procedures to ensure the proper completion of contemporaneous records related to attendance.

Views of responsible officials and planned corrective Actions

The district agrees with this finding. Please refer to the corrective action within the Findings and Recommendations Section.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**State Award Findings and Questioned Costs**

Finding Identification

2021 – 002 *Attendance and Distance Learning #10000*

Criteria or Specific Requirement

Education Code Section 43504(d)(1), 43504(e) and 43502(e)(2)

Condition

During our test work on the district's attendance and distance learning compliance, we found the district did not retain a weekly engagement record which documented verification of daily participation for pupils enrolled in four certificated teacher classes during Fridays in which distance learning, partial day asynchronous instruction was offered for part of the school year. The total affected pupils on this systemic issue were 418 for 24 school day Fridays in which distance learning, partial day asynchronous instruction was offered. In addition to the four teacher's classes, on a non-systemic scale, we found a few of the pupils in our sample for whom the district did not retain a weekly engagement record which documented verification of daily participation during Fridays in which distance learning, partial day asynchronous instruction was offered during our sample test week. There were four pupils affected by this noncompliance on a non-systemic manner and on a one-school day instance. Overall, the result is 10,036 days out of compliance for the systemic and non-systemic noncompliance noted.

Effect

The district's noncompliance is cause for the superintendent to withhold from the district's local control funding formula grant apportionment according to education code 43504(2) guidelines.

Cause

It is our understanding the district's certificated employees involved in the noncompliance completed the documentation for verification of daily participation in an online program and three of the certificated employees have left the district and the district's administrative staff cannot access their record keeping. One of the employees deleted the record keeping in the program and in the non-systemic situations it was an inadvertent omission of documentation.

Questioned Costs

The total estimated questioned costs are \$662,969. We utilized the CDE's calculator for Estimating the Cost of a Distance Learning Audit Penalty.

Affected Grade Level(s)	12th
Days Out of Compliance	10,036
Number of Days Required to be Offered	180
Derived Value of ADA by Grade Span	\$ 11,890.63
Distance Learning Penalty	\$ 662,969.00

Identification of Repeat Finding

The audit finding is not a repeat of a finding in the immediately prior audit.

Recommendation

Although distance learning was only applicable for the 2020-21 school year, the district should implement internal control procedures which ensure the proper safeguard of contemporaneous records which should be available for audit.

Views of responsible officials and planned corrective Actions

The district agrees with this finding. Please refer to the corrective action within the Findings and Recommendations Section.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**State Award Findings and Questioned Costs**

Finding Identification

2021 – 003 *Attendance – Instructional Time – Distance Learning Certification to Time Value Records #10000*

Criteria or Specific Requirement

Education Code 43502(e)(2)

Condition

During our fieldwork on the district's instructional time value compliance for distance learning instructional offerings, we noted the district did not have an employee of the district with valid certification registered as required by law timely certify the time value of assignments during Fridays in which distance learning, partial day asynchronous instruction was offered for part of the school year after September 1, 2020. The district completed the compliant certification retroactively during our audit.

Effect

The district's noncompliance results in an internal control concern due to the delayed certification of the distance learning offering as required by the education code.

Cause

The district experienced confusion on distance learning compliance requirements related to instructional time value certifications as well as turnover in administrative employees during the year; both reasons contributed to the noncompliance.

Questioned Costs

No questioned costs since the certification was prepared.

Identification of Repeat Finding

The audit finding is not a repeat of a finding in the immediately prior audit.

Recommendation

Although distance learning was only applicable for the 2020-21 school year, the district should implement internal control procedures which ensure the proper adherence to education code compliance guidelines on contemporaneous instructional time value certifications.

Views of responsible officials and planned corrective Actions

The district agrees with this finding. Please refer to the corrective action within the Findings and Recommendations Section.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**State Award Findings and Questioned Costs**

Finding Identification

2021 – 004 Attendance – Instructional Time #10000

Criteria or Specific Requirement

Education Code Section 43501, 43504(c), 43504(i)(1)

Condition

During our test work on the district's instructional time compliance, we noted while the district had 180 days of instruction for the school year, for distance learning, various 12<sup>th</sup> grade pupils for 76 instructional school days were not offered the minimum school day instructional minutes of 240.

Effect

The district did not comply with the minimum number of days set forth in Education Code 43504(c) since 76 distance learning instructional days fell below the minimum school day instructional minutes requirement for the affected grade level, therefore the district is subject to penalty pursuant to Education Code section 43501(i)(1). See the penalty calculation below under questioned costs.

Cause

To help mitigate the risks of COVID-19 spread, the district considered reducing the instructional period offerings of its 12<sup>th</sup> grade pupils for classes needed for academic credit and graduation requirements only, therefore students had unscheduled periods.

Questioned Costs

The total estimated questioned costs are \$1,198,059. We utilized the CDE's calculator for Estimating the Cost of an Instructional Days Audit Penalty and the calculation is as follows:

Affected Grade Level(s)	12th
Affected Grade Level ADA	236.74
Derived Value of ADA by Grade Span	\$ 11,890.63
Number of Required Days (District)	180
Number of Days Short	76
Instructional Day Penalty by Grade Span	\$ 1,198,059.00

Identification of Repeat Finding

The audit finding is not a repeat of a finding in the immediately prior audit.

Recommendation

Although distance learning was only applicable for the 2020-21 school year, the district should ensure instructional time offering requirement state guidelines are considered in scheduling compliant instructional offerings for pupils for each school year.

Views of responsible officials and planned corrective Actions

The district agrees with this finding. Please refer to the corrective action within the Findings and Recommendations Section.



**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**State Award Finding and Questioned Costs**

Finding Identification

2021 – 005    *State Compliance – Comprehensive School Safety Plan*    #40000

Criteria or Specific Requirement

Education Code Section 32288

Condition

While the school district complied with the compliance requirement under education code section 32288 in which they followed a process by which their school district approved their Comprehensive School Safety Plan (CSSP) on February 1, 2021, we were unable to verify the school district's compliance with the following requirements under education code section 32288:

1. Before adopting its comprehensive school safety plan, the schoolsite council or school safety planning committee shall hold a public meeting at the school site in order to allow members of the public the opportunity to express an opinion about the school safety plan.
2. The schoolsite council or school safety planning committee notified, in writing, the persons and entities, if available, of the public meeting according to education code section 32288(b)2.

Effect

The School district was out of compliance with education code section 32288 compliance requirements.

Cause

The school district experienced a high turnover of employees which seemed to affect their record retention and or compliance with state requirements such as those of education code section 32288.

Questioned Cost

Unknown

Identification of Repeat Finding

This audit finding is not a repeat of a finding in the immediately prior audit.

Recommendation

The school district should implement procedures to adopt its comprehensive school safety plan according to all of education code section 32288 compliance requirements.

Views of responsible officials and planned corrective actions

The school district agrees with this finding. Please refer to the corrective action within the Findings and Recommendations Section.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**State Award Findings and Questioned Costs**

Finding Identification

2021 – 006 *State Compliance – Unduplicated Local Control Funding Formula Pupil Counts #40000*

Criteria or Specific Requirement

Education Code Section 2574

Condition

During our analysis of the school district’s certified “1.18 – FRPM/English Learner/Foster Youth-Student List” report we determined eight students were designated as only English Learners (EL) without supporting documentation for their designation. Our original sample of one student indicated the School district did not go through the proper reclassification process for EL students. We extended our procedures to test 100% of the population for “only EL” students’ designation and found the same exception with all seven additional students.

Effect

It seems the school district overstated their Unduplicated Local Control Funding Formula Pupil Count by eight pupil counts. The total effect on the Unduplicated Pupil Count is detailed in the schedule below:

Total Unduplicated Pupil Count

**Enrollment**

CALPADS Alternative Adjusted Enrollment	<u>3,370</u>
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**Unduplicated Pupil Count**

CALPADS Alternate Adjusted Unduplicated Pupil Count	<u>2,490</u>
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Unduplicated Pupil Count Adjustment Based on Eligibility Designation	<u>(8)</u>
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Adjusted Unduplicated Pupil Count	<u><u>2,482</u></u>
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Cause

The school district overlooked the need to go through the proper reclassification process for EL students and relied on the requirement for the English Language Proficiency Assessments for California (ELPAC) testing being different due to the current pandemic.

Questioned Costs

Using the “Estimating the Cost of an LCFF Unduplicated Pupil County Audit Finding” Calculator Form made available by the California Education Department, the estimated questioned costs are estimated at \$16,697. Per the Form, the School district’s Unduplicated Pupil Percentage was reduced from 73.89% to 73.65%.

Identification of Repeat Finding

This audit finding is not a repeat of a finding in the immediately prior audit.

Recommendation

The school district should implement a thorough review process each year to determine the proper EL designation of pupils as of the fall certified CALPADS date and ensure its reclassification criteria is properly implemented during this process.

Views of responsible officials and planned corrective actions

The School district agrees with this finding. Please refer to the corrective action within the Findings and Recommendations section.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

**State Award Finding and Questioned Costs**

Finding Identification

2021 - 007 *Classroom Teacher Salaries* #61000

Criteria or Specific Requirement

California Education Code Section 41372 states a high school district shall expend 50 percent of the school district's total educational expenses for the current year on payment of salaries for classroom teachers. The school district can be granted an exemption from the County Superintendent of Schools if the percentage is not met, in accordance with Education Code Section 41372.

Condition

While reviewing the Current Expense Formula/Minimum Classroom Compensation report (Form CEA), we noted that the school district did not meet the required minimum classroom compensation percentage for a high school district. The school district's expense of education for the year, after applicable audit adjustments, was \$12,135,259 or 47.45%.

Effect

The school district was granted an exemption by their County Superintendent of Schools; therefore, it is expected apportionments equal to the deficiency in expenditures will not be withheld from the district by the County Superintendent of Schools.

Cause

The school district did not expend the minimum required amount of compensation for classroom teachers since it did not reopen for in-person instruction during 2020-21 school year which led to teachers not performing any extra services such as extra duty, Saturday school, professional development and prep period buyouts which in any other school year normally increases teacher compensation expenditures.

Questioned Costs

The deficiency in percentage expended when calculated is approximately \$309,449.

Identification of Repeat Finding

This audit finding is not a repeat of a finding in the immediately prior audit.

Recommendation

The school district must ensure that the total compensation expended on classroom teacher salaries during the fiscal year is at least 50 percent of the school district's total cost of education, and if not met, the school district should apply to receive an exemption from the County Superintendent of Schools.

Views of responsible officials and planned corrective actions

The school district agrees with this finding. Please refer to the corrective action within the Findings and Recommendations Section.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**State Award Findings and Questioned Costs**

1. Finding Identification: 2021 – 001 Attendance and Distance Learning #10000

Name of contact person: Dr. Justin Miller, Superintendent

Corrective Action: All findings in this report are associated with record keeping errors or compliance oversights during distance learning. To the best of my knowledge, there have not been findings similar in previous years. Also, with the unlikeliness of school districts moving back to distance learning, it would be impossible for the district to have issues with record keeping and compliance with distance learning moving forward. However, the district will engage in needed internal attendance auditing practices moving forward.

District staff will coordinate an end of semester attendance audit during the 2021-22 school year and subsequent school years that encompass various populations of students (grade level, EL, SPED, ethnicity, and socioeconomic status). These audits will be completed by an outside auditing agency to oversee the work of school site staff. Also, quarterly meetings will be held by district staff with school site staff to discuss possible attendance accounting gaps and opportunities of improvement.

Proposed Completion: The completion dates will be the last Friday in January and June annually.

2. Finding Identification: 2021 – 002 Attendance and Distance Learning #10000

Name of contact person: Dr. Justin Miller, Superintendent

Corrective Action: All findings in this report are associated with record keeping errors or compliance oversights during distance learning. To the best of my knowledge, there have not been findings similar in previous years. Also, with the unlikeliness of school districts moving back to distance learning, it would be impossible for the district to have issues with record keeping and compliance with distance learning moving forward. However, the district will engage in needed internal attendance auditing practices moving forward.

District staff will coordinate an end of semester attendance audit during the 2021-22 school year and subsequent school years that encompass various populations of students (grade level, EL, SPED, ethnicity, and socioeconomic status). These audits will be completed by an outside auditing agency to oversee the work of school site staff. Also, quarterly meetings will be held by district staff with school site staff to discuss possible attendance accounting gaps and opportunities of improvement.

Proposed Completion: The completion dates will be the last Friday in January and June annually.

3. Finding Identification: 2021 – 003 Attendance – Instructional Time – Distance Learning Certification to Time Value Records #10000

Name of contact person: Dr. Justin Miller, Superintendent

Corrective Action: All findings in this report are associated with record keeping errors or compliance oversights during distance learning. To the best of my knowledge, there have not been findings similar in previous years. Also, with the unlikeliness of school districts moving back to distance learning, it would be impossible for the district to have issues with record keeping and compliance with distance learning moving forward. However, the district will engage in needed internal attendance auditing practices moving forward.

District staff will coordinate an end of semester attendance audit during the 2021-22 school year and subsequent school years that encompass various populations of students (grade level, EL, SPED, ethnicity, and socioeconomic status). These audits will be completed by an outside auditing agency to oversee the work of school site staff. Also, quarterly meetings will be held by district staff with school site staff to discuss possible attendance accounting gaps and opportunities of improvement.

Proposed Completion: The completion dates will be the last Friday in January and June annually.

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2021

**State Award Findings and Questioned Costs**

4. Finding Identification: 2021 – 004 *Attendance – Instructional Time* #10000

Name of contact person: Dr. Justin Miller, Superintendent

Corrective Action: All findings in this report are associated with record keeping errors or compliance oversights during distance learning. To the best of my knowledge, there have not been findings similar in previous years. Also, with the unlikeliness of school districts moving back to distance learning, it would be impossible for the district to have issues with record keeping and compliance with distance learning moving forward. However, the district will engage in needed internal attendance auditing practices moving forward.

District staff will coordinate an end of semester attendance audit during the 2021-22 school year and subsequent school years that encompass various populations of students (grade level, EL, SPED, ethnicity, and socioeconomic status). These audits will be completed by an outside auditing agency to oversee the work of school site staff. Also, quarterly meetings will be held by district staff with school site staff to discuss possible attendance accounting gaps and opportunities of improvement.

Proposed Completion: The completion dates will be the last Friday in January and June annually.

5. Finding Identification: 2021 – 005 *State Compliance – Comprehensive School Safety Plan* #40000

Name of contact person: Ryan Stockton and Dr. Karla Lopez

Corrective Action: The newly hired Principal and Director of Special Projects and Assessments made the school safety plan a priority. These administrators gave the School Site Council ample time to review and provide feedback. The School Safety plan for the 2021-22 school year was approved on January 19, 2022 by the School Site Council.

Proposed Completion Date: January 19, 2022

6. Finding Identification: 2021 – 006 *State Compliance – Unduplicated Local Control Funding Formula Pupil Counts* #40000

Name of contact person: Dr. Karla Lopez

Corrective Action: All EL students will be evaluated after February 1, 2022 for summative ELPAC. All EL status parent notifications were mailed out in the first semester when students were assessed for their initial assessment and notified of their students EL status. All state assessment notifications were mailed out to parents in January 2022 and posted on parent square in English and Spanish.

Proposed Completion Date: May 2022

7. Finding Identification: 2021 - 007 *Classroom Teacher Salaries* #61000

Name of contact person: Dr. Justin Miller, Superintendent, and Maggie Yamasaki

Corrective Action: During the 2019-20 school year, several items impacted the expenses associated with all school district, especially Union High School Districts. Due to the pandemic, the district did not incur expenses associated with athletic coaches (stipends), Saturday School, After School Guided Study (detention), etc. This finding is solely tied to the pandemic and students not allowed to engage in normal school activities. With more understanding of the Coronavirus/pandemic and proper safety and mitigation actions installed in schools, the extra duties associated with Teacher salaries will be reinstated for the foreseeable future.

Proposed Completion Date: 2021-22 School Year

**CHOWCHILLA UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

There were no findings in the prior year.



Gustavo M. Corona, CPA  
Scott A. Faeth, CPA  
Christina J. Zakarian, CPA

◆◆◆  
Thomas R. Borchardt, CPA  
Consultant

Board of Trustees

Chowchilla Union High School District  
Fresno, California

In planning and performing our audit of the financial statements of Chowchilla Union High School District (District) for the year ended June 30, 2021 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

However, during our audit we became aware of matters discussed below that are opportunities to strengthen internal controls and operating efficiency. This letter does not affect our report dated February 4, 2022, on the financial statements of the District which also includes our report on the District's internal control.

Receipts Not Allowable as Abatements of Expenditures – E-Rate Reimbursements

The 2019 Edition of the California School Accounting Manual updated Procedure 560 Abatement of Expenditures to include E-Rate reimbursements, rebates, or discounts and similar subsidies as receipts not allowable as abatements of expenditures. If the E-Rate discount or subsidy is received as a discount on a bill, the full amount of the bill before discount should be debited to the expenditure account and the E-Rate discount or subsidy should be credited to Other Local Revenue.

During our financial audit, we noted that during the fiscal year ended June 30, 2021, the District did not record the E-Rate discount or subsidy in Other Local Revenue, but rather abated the expenditure accounts. The audited financial statements have been adjusted to properly record the E-Rate reimbursements in Other Local Revenue with the full expense recorded in the related expenditure accounts. The District should work with their vendors to receive the necessary information to properly record the E-Rate discounts and reimbursements beginning with the year ended June 30, 2022.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with District personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

We wish to thank the District staff for their support and assistance during our audit.

This report is intended solely for the information and use of management, the Board, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

*Borchardt, Corona, Faeth  
& Zakarian*

BORCHARDT, CORONA, FAETH & ZAKARIAN

Fresno, California  
February 4, 2022

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**APPENDIX D**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

[LETTERHEAD OF LOZANO SMITH]

September 22, 2022

Board of Trustees  
Chowchilla Union High School District  
805 Humboldt Avenue  
Chowchilla, California 93610

\$17,000,000  
Chowchilla Union High School District  
(Madera County, California)  
General Obligation Bonds, Election of 2022, Series A

**FINAL OPINION OF BOND COUNSEL**

Ladies and Gentlemen:

We have acted as bond counsel to Chowchilla Union High School District (the "District") in connection with the issuance by the District of its Chowchilla Union High School District (Madera County, California) General Obligation Bonds, Election of 2022, Series A in the aggregate principal amount of \$17,000,000 (the "Bonds"), issued under Article 4.5 (commencing with Section 53506) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law") and under a Resolution adopted by the Board of Trustees of the District on August 8, 2022 (the "Bond Resolution").

The Bonds were sold to RBC Capital Markets, LLC, as Underwriter (the "Underwriter") pursuant to a Bond Purchase Agreement, dated September 6, 2022 (the "Bond Purchase Agreement"), between the District and the Underwriter.

In such connection, we have examined the Bond Resolution, the Bond Law, the tax certificate, dated the date hereof and executed by the District (the "Tax Certificate"), the Bond Purchase Agreement, the Continuing Disclosure Certificate, dated the date hereof and executed by the District (the "Continuing Disclosure Certificate"), certificates of the District and others, and such other law, documents, opinions and matters to the extent we deemed necessary to render the opinions or conclusions set forth herein.

The opinions and conclusions herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the

genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Bond Resolution, the Tax Certificate, the Continuing Disclosure Certificate and the Bond Purchase Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver, or severability provisions contained in the foregoing documents. We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds, dated September 6, 2022.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bond Resolution has been duly adopted by the Board of Trustees of the District and the Bond Resolution constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
2. The Bonds have been duly authorized, issued and sold by the District and are valid and binding general obligations of the District. The Board of Supervisors of the County of Madera is obligated and authorized under the laws of the State of California to levy and collect *ad valorem* taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Bond Resolution and the Tax Certificate and other instruments relating to the Bonds to comply with each of such requirements under the Code. Failure to comply with certain of such requirements under the Code may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
4. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Except as stated in the preceding paragraphs, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. The opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very Truly Yours,

*Lozano Smith, LLP*

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Chowchilla Union High School District (the "District") in connection with the issuance of the \$17,000,000 Chowchilla Union High School District General Obligation Bonds, Election of 2022, Series A (the "Bonds").

The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on August 8, 2022.

**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 Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended.

**Section 2. Definitions.** In addition to the definitions set forth above and 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"* means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Annual Report Date"* means the date that is no more than nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

*"Dissemination Agent"* means Dale Scott & Company Inc., of San Francisco, California, 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"* means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either of the foregoing (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

*"Listed Events"* means any of the events listed in Section 5(a) of this Disclosure Certificate.

*"MSRB"* means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

*"Official Statement"* means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Participating Underwriter*” means RBC Capital Markets, LLC, the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the U.S. 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 the Annual Report Date, being each March 31 following the end of the District’s fiscal year, commencing with the report for the 2021-22 fiscal year which is due on March 31, 2023, provide to the Participating Underwriter and the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall, in a timely manner, provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as *Exhibit A*.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(1) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(2) if the Dissemination Agent is other than the District, file a report with the District, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. **Content of Annual Reports.** The District’s Annual Report shall contain or incorporate by reference the following documents and information:

(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 Annual Report Date, 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 filed 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:

- (1) The District's most recent approved annual budget;
- (2) The most recent assessed value of taxable property in the District;
- (3) If Madera County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, then the most recent property tax levies, collections and delinquencies of the District; and
- (4) The most recent list of the top twenty property owners in the District, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. 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 Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) 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, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a Financial Obligation of the District, if material, 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 security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material." The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above 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 United States 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 governing 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.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as 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 Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Dale Scott & Company Inc., San Francisco, California. Any Dissemination Agent (if not the District) may resign by providing 30 days' written notice to 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 Sections 3(a), 4 or 5(a), 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 an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 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 holders of the Bonds in the manner 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 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

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 of occurrence of a Listed Event, 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 of occurrence of a Listed Event 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.

Section 11. **Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 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. 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.** (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and 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 Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. **Notices.** Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Chowchilla Union High School District  
805 Humboldt Avenue  
Chowchilla, CA 93610

To the Participating Underwriter: RBC Capital Markets, LLC  
777 South Figueroa Street, Suite 850  
Los Angeles, CA 90017

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. **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 Bonds, and shall create no rights in any other person or entity.

Date: September 22, 2022

CHOWCHILLA UNION HIGH SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

ACCEPTED AND AGREED TO:  
DALE SCOTT & COMPANY INC.  
AS DISSEMINATION AGENT

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Chowchilla Union High School District (the "District")

Name of Bond Issue: \$17,000,000 Chowchilla Union High School District General Obligation Bonds,  
Election of 2022, Series A.

Date of Issuance: September 22, 2022

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated September 22, 2022, executed and delivered by the District. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: [Form only – do not date, 2022]

CHOWCHILLA UNION HIGH SCHOOL  
DISTRICT

By: [Form Only – do not sign] \_\_\_\_\_

Its: \_\_\_\_\_

**APPENDIX F**

**MADERA COUNTY INVESTMENT POLICY STATEMENT AND QUARTERLY REPORT**

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# INVESTMENT POLICY

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## of the Commingled Investment Pool for the Year 2022

Valid 01/01/2022 to 12/31/2022



**Tracy Kennedy**  
**Treasurer-Tax Collector**  
**County of Madera**

200 W. 4<sup>th</sup> Street, 2<sup>nd</sup> Floor  
Madera, CA 93637

Phone: (559) 675-7713 • Fax: (559) 673-0262

Email: [Treasurer@maderacounty.com](mailto:Treasurer@maderacounty.com)

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## **POLICY STATEMENT**

### **1. OBJECTIVE**

The surplus funds will be invested in such a manner following the fundamental principles of safety, liquidity, and yield – in that order. In addition, the Treasurer may provide further restrictions and guidelines for the investment of idle funds through this Investment Policy.

- A. **SAFETY/LEGALITY** - Investments should be made in instruments of high quality to avoid credit risk and/or loss of principal. Investments susceptible to wide price fluctuations due to market volatility should be avoided. Investments shall only be made in instruments legally permissible by the California Government Code, as hereafter amended for Madera County's needs.
- B. **LIQUIDITY** - Investments should be made in instruments maturing in such a manner to meet daily demands upon the Treasury. A certain degree of highly liquid instruments should be maintained at all times to accommodate unforeseen withdrawals or respond to opportunities for transactions arising from changing market conditions.
- C. **YIELD** - Because the Treasurer is responsible for receiving and safekeeping ALL monies belonging to the County and all other monies directed by law to be paid into the Treasury, investments are made for cash flow purposes first and yield is secondary. Operating within such parameters of safety and liquidity, the most favorable yield would then be considered. A favorable yield could be defined as the highest yield based on like investments given the existing market conditions.

### **2. SCOPE**

The following investment policy pertains to the pooled operating funds of Madera County and depository agencies. Depository agencies consists of school districts, special districts, and other County-related agencies. This policy is concerned with the deposit, safekeeping, and investment of all surplus funds of the Madera County Treasurer, as well as all related transactions and investment activities. It does not apply to bond funds or other assets belonging to Madera County, or other affiliated public agency assets that reside outside of the County Treasury Pool.

### **3. PURPOSE**

The purpose of the investment policy is to outline the policies used to assist in maximizing the efficiency of the Treasurer's cash management while meeting the daily cash flow demands of the County, the School Districts, voluntary participants, and other County related agency funds. The Treasurer's Investment Policy Statement is approved annually by the County Board of Supervisors as required by CA Gov Code Section §53646 (a) (1).

### **4. LEGAL COMPLIANCE**

All investing and investment decisions shall be made with full compliance to CA Gov Code §27000 et seq. and §53600 et seq., as well as any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds. The Treasurer-Tax Collector is responsible for investing the surplus funds paid into the

Treasury in accordance with the CA Gov Code §53601 et. seq. and the Prudent Investor Standard.

## 5. PRUDENT INVESTOR STANDARD

The administration of idle funds of the Madera County Treasurer, as a fiduciary trustee, shall be performed in accordance with the Prudent Investor Standard as stated in CA Gov Code §27000.3 and §53600.3:

*"When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing 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 need of the County and other depositors."*

## 6. AUDITING

Outside auditors annually audit the County, including the office of the Treasurer, based on a set of agreed upon procedures. Annually, consistent with CA Gov §26920(b), the County Auditor shall perform or cause to be performed an audit of the assets in the County Treasury and express an opinion whether the Treasurer's statement of assets is presented fairly and in accordance with generally accepted accounting principles. If the Auditor finds an investment out of compliance with the Policy, the Treasurer shall review and conclude if that is true and correct. If an investment is found to be out of compliance, the Treasurer will take action to correct and send an updated report to all participating agencies. The audit report shall be addressed to the County Board of Supervisors.

## 7. REPORTING

In compliance with CA Gov §53646 the County Treasurer is at a minimum, required to submit a quarterly investment report within 30 days following the end of each quarter. The Treasurer, however, elected to exceed the minimum requirements by increasing its frequency to a monthly report and disseminate to all pool participants, County Board of Supervisors, the County Superintendent of Schools, Madera Unified School District, and Special Districts. This report will be uploaded to the Treasurer's website upon completion of every month and made available to the public. The monthly report will include a list of holdings as of the last day of the month and note:

- The type of investment
- The institution
- Date of maturity
- Par amount
- Book value
- End of month market value and source of value
- A statement of compliance or an explanation of any variance, and
- A statement of the ability to meet the pools expenditure requirement for the next six months or an explanation of why the expenditure requirement cannot be met

The County Treasurer shall annually prepare an investment policy pursuant to CA Gov §27133 and §53646 that will be reviewed and approved by the County Board of Supervisors.

## 8. SECURITY DEALERS & BROKERS

The County Treasurer shall determine which financial institutions are authorized to provide investment services to the County for the investment of County funds. All potential brokers/ dealers must complete a detailed County questionnaire about their experience and capital of their respective institutions. These questionnaires will be kept on file in the Treasurer's office. A review and approval is required before any investment services can be considered. Evaluations are completed on all approved broker/dealer/ depository relationships on an annual basis or as deemed necessary.

Brokers/ dealers or individual firms that make a political contribution to the County Treasurer exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board within four years following January 1, 1996, may not be selected to do business.

The Treasurer may trade or place securities with individual Broker/Dealer or Broker/Dealer firms who meet the following criteria:

- A. A Primary government dealer as designated by the Federal Reserve Bank of New York;
- B. A Nationally or State-Chartered bank;
- C. Banks identified as one of the top 100 banks in the world, or
  1. Banks, brokers, or dealers with net capital in excess of \$10 million with liquidity lines of \$100 million or more.
- D. Individual Broker/Dealer or Broker/Dealer firms provided they are:
  1. Registered and in good standing with the Financial Industry Regulatory Authority (FINRA);
  2. Licensed to conduct business in the State of California; and
  3. Have primary account representatives with five or more years of experience in Madera County Pool Investment transactions.

Selection of financial institutions and brokers/dealers authorized to engage in transactions with the County shall be decided at the sole discretion of the County Treasurer.

## 9. POOL PARTICIPANTS – INVOLUNTARY

Many of the funds on deposit in the County Treasury are funds under the control of the Board of Supervisors, such as those relating to the general ledger and other trust funds. State law requires school districts to deposit their funds in the County Treasury unless the school board declares funds to be excess funds, in which case funds can be invested outside the County Treasury. As such, the school districts are considered a mandatory depositor. Special districts and Cemetery districts are also required to deposit their funds in

the County Treasury.

#### 10. POOL PARTICIPANTS – VOLUNTARY

A voluntary participant is any local agency who has applied for and been granted participation in the County investment pool. The local agency's Treasurer or other official responsible for their funds has determined that they have excess funds which are not required for immediate use. Once the excess funds are identified, the local agency's legislative or governing body must adopt a resolution that authorizes the investment of the funds pursuant to CA Gov §53684, and with the consent of the County Treasurer, deposit the excess funds in the County Treasury for the purpose of investment by the County Treasurer pursuant to Section 53601 or 53635. The resolution shall specify that the local agency acknowledges and is willing to be bound by the withdrawal provisions of Section 27136, and that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or deny such local agency's request in writing. At this time there are NO Voluntary Depositors in the County Treasury Pool.

#### 11. WITHDRAWAL OF FUNDS FROM COUNTY POOL

Pursuant to CA Gov §27136 any entity wishing to withdraw funds from the County Treasury pool for the purpose of investing or depositing those funds outside the County Treasury pool, shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the pool. For any withdrawal over \$2 million, it will be necessary to have two (2) days' notice in writing and withdrawals over \$5 million will require a one week notice in writing.

#### 12. DELEGATION OF INVESTMENT AUTHORITY

Effective January 1, 1997, CA Gov Code §27000.1 required the Board of Supervisors to delegate authority to invest or reinvest County funds and funds of other depositors by ordinance. Madera County Ordinance 216B established the delegation of investment authority to the County Treasurer.

California Gov Code §53607 limits such authority to a one-year period. The County Treasurer then assumes full responsibility for those investment transactions until the delegation of authority is revoked or expires. Under current legislation, a renewal of such authority to invest is hereinafter achieved through an annual Board Resolution with an effective period between July 1st and June 30th of the following year.

#### 13. AUTHORIZED INVESTMENTS AND LIMITS

The County may invest surplus funds from among the following authorized investments and within limits as specified. The percent of limitation for a particular category of investment shall only apply at the date of purchase. Additionally, a percent change that results from an increase or decrease of values or assets shall not constitute a limitation violation. Some instruments have no limit, and no limit is specified; however, the Prudent Investor Standard should apply.

**A. Bonds** issued by the local agency, including bonds payable solely out of the revenue

from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency. Per CA Gov Code §53601(a), there is no limit on the percentage of the pool that can be invested in this category.

- B. United States Treasury Bills**, Notes, Bonds, and Certificates of Indebtedness, and those for which the full faith and credit of the United States is pledged for the payment of principal and interest. Per CA Gov Code §53601(b), there is no limit on the percentage of the pool that can be invested in this category.
- C. Registered State Warrants** or Treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state. Per CA Gov Code §53601(c), there is no limit on the percentage of the pool that can be invested in this category.
- D. Bonds, Notes, Warrants**, or other evidence of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Per CA Gov Code §53601(e), there is no limit on the percentage of the pool that can be invested in this category.
- E. Federal Agency or United States Government-Sponsored Enterprise** obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Per CA Gov Code §53601(f), there is no limit on the percentage of the pool that can be invested in this category.
1. **Structured rate securities:** Generally, investments in these types of securities are allowed as long as there is no risk of a zero coupon or loss of principal. Specifically prohibited are inverse floaters, range notes or interest only strips derived from a pool of mortgages.
- F. Bankers' Acceptances** otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Per CA Gov Code §53601(g), purchases of Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the surplus funds in the County Treasury. However, no more than 30 percent of the Treasury's surplus funds may be invested in the banker's acceptances of any one commercial bank.
- G. Commercial Paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
1. The entity meets the following criteria:
    - a) Is organized and operating in the United States as a general corporation.
    - b) Has total assets in excess of five hundred million dollars (\$500,000,000).
    - c) Has debt other than commercial paper, if any, that is rated in a rating

category of "A-1" or higher, or the equivalent, by an NRSRO.

2. The entity meets the following criteria:
  - a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
  - b) Has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
  - c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Counties or a City and County may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Ca Gov Code §53635.

1. No more than 40 percent of the County's money may be invested in eligible commercial paper.
2. No more than 10 percent of the total assets of the investments held by the County may be invested in any one issuer's commercial paper.

**H. Negotiable Certificates of Deposit** issued by a Federal or State Chartered bank or savings and loan association. Per CA Gov Code §53601(i), any investment in Negotiable Certificates of Deposit may not exceed 30 percent of the County's surplus money may be invested. No more than 5 percent of the total portfolio shall be invested in any one name.

**I. Non-negotiable Time Certificates of Deposit** issued by a Federal or State Chartered bank or a savings and loan association. These require full collateralization with government securities (110%) or mortgages (150%) in accordance with CA Gov Code §53651. The Treasurer will determine eligibility of banks and savings and loans through the Findley report, which rates California Financial Institutions, and ratings of the major rating agencies, Moody's, Standard & Poor's and Fitch.

Investments with qualified institutions shall be equally distributed providing yields on investments are comparable. Investments with any one type of institution shall not exceed 50 percent of the portfolio and investments with any one institution shall not exceed 15 percent of the portfolio.

Investments shall be placed only with institutions with established stability, performance, and a current Community Reinvestment Act (CRA) rating of satisfactory or better. All factors being equal, preference shall be given to institutions within Madera County.

**I. Investments in Repurchase Agreements** as authorized by CA Gov Code §53601 and/or §53635 shall be restricted to Federal or State Chartered banks or primary security dealers with whom the Treasurer has entered into a Master Repurchase Agreement. A Repurchase Agreement is a purchase of securities by the County pursuant to an agreement by which the Bank/Dealer agrees to repurchase the securities on a specified date. Securities purchased through Repurchase

Agreements from the Bank/Dealer are United States Treasury Bills, Notes or Certificates of Indebtedness, or instruments of or issued by a federal agency of the United States or money market instruments.

Investments in Reverse Repurchase Agreements or Securities Lending Agreements are authorized so long as the proceeds are invested solely to supplement the income normally received from the securities. A Reverse Repurchase Agreement is a sale of securities by the County pursuant to an agreement by which the County will repurchase such securities on or before a specified date and for a specified amount.

1. Reverse Repurchase Agreements is limited to 20% of the portfolio and only for specified purposes.

**K. Medium Term Corporate Notes (MTN)** of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Securities eligible for Investment shall be rated in a rating category of "A" or its equivalent, or better, by a nationally recognized rating agency.

1. Purchase of MTN may not exceed 30 percent of the surplus funds in the County Treasury nor exceed 10 percent of a single issuer, per CA Gov Code §53601(k).

**L. Shares of Beneficial Interest (Money Market Mutual Funds)**

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investments, these companies shall either:

1. Attain the highest ranking or highest letter and numerical rating provided by not less than two Nationally Recognized Statistical Rating Organizations (NRSROs).
2. Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of five hundred million dollars (\$500,000,000).

The purchase price of shares of beneficial interest purchased, shall not include any commission that these companies may charge and shall not exceed 20 percent of the agency's total portfolio which may be invested pursuant to §53601(l) of the California Government Code.

**M. Investments of funds in the Local Agency Investment Fund (LAIF- State of California)**

created by law under CA Gov Code §16429.1, which the State Treasurer invests through the Pooled Money Investment Account. Money invested in LAIF is available overnight; however, it is also subject to a limited number of transactions per month. Money shall be placed in LAIF as an alternative liquid investment under the guidelines of this policy pertaining to yield. Investment of funds in a LAIF is limited to the maximum amount of seventy-five million dollars

(\$75,000,000) which is set by the California State Treasurer.

**N. Shares of Beneficial Interest** issued by Joint Powers Authority (JPA) organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), of section 53601 inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. To be eligible under this section, the JPA shall have retained an investment adviser that meets the following criteria:

1. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
2. The adviser has no less than five years of experience investing in the securities and obligations as authorized in subdivisions (a) to (o), inclusive of Section 53601, and the advisor has assets under management in excess of five hundred million dollars (\$500,000,000.00).

Per CA Gov Code §53601(p), there is no set limit on the percentage of the pool that can be invested in this category.

**O. Supranationals** United States dollars denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rated category "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's monies that may be invested pursuant to CA Gov Code §53601(q).

**P. Certificate of Deposit Account Registry Service (CDARS)** Deposits placed through CDARS are distributed into individual Certificates of Deposit (CD) of less than \$250,000 each that are fully FDIC insured and placed through a network of participating banks that uses CDARS, a private entity that assists in the placement of the individual CDs. Pursuant to CA Gov Code §53635.8(j) shall not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose.

#### 14. INVESTMENT POOLS / MUTUAL FUNDS

Due diligence shall be performed by investigating any pool or fund prior to investing and on an annual basis. A questionnaire has been established to provide the following information:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how interest is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), how often the securities are priced, and how often the program is audited for compliance.



- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- A description of how the pool/fund maintains reserves, retained earnings, etc. or is all income after expenses distributed to participants
- A fee schedule that discloses when and how fees are assessed.
- The eligibility of the pool/fund to invest in bond proceeds and a description of its practices.

The purpose of this questionnaire is to determine the suitability of a pool or fund and evaluate the risk of placing funds with that pool or fund.

### 15. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the California Government Code, as may be amended from time to time. No investment prohibited by the California Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuations that are not in compliance with this Investment Policy Statement and cannot be corrected without penalty at time of purchase must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

1. The following transactions are prohibited:

- a) Borrowing for investment purposes (“Leverage”).
- b) Reverse Repurchase Agreements, as defined by CA Gov Code § 53601 (j) (3) and (j) (4) or otherwise.
- c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.
- d) Simple “floating rate notes,” whose periodic coupon adjustment is based on a short- term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, SOFR or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Federal Agency zero coupon bonds or callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section.
- e) Structured Investment Vehicles (SIV).
- f) Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

- g) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

## 16. CONFIRMATION

All confirmations shall be reviewed for conformity with the original transaction by an individual who did not originate the transaction. Any discrepancy will be reported to the County Treasurer for correction.

## 17. APPROVAL OF DEPOSITS

All financial institutions whether investment banks and dealers or commercial banks or savings and loans must be approved by the County Treasurer before receiving County funds. All firms with whom the County does business with should have a strong capital base and have received an overall rating of no less than "satisfactory" in its most recent evaluation by the appropriate federal agency before any investments or deposits are placed with such firms.

## 18. LOSSES

Generally, losses are acceptable on a sale before maturity and should be taken if reinvested proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the old investment.

## 19. MAXIMUM RATE OF RETURN AND ALLOCATION OF LOSSES

The Pooled Investment Fund is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk, constraints and liquidity needs. Return on investments, while important, is secondary to the safety and liquidity principles.

The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities may be sold prior to maturity for the following reasons:

1. A declining credit security, to minimize loss of principal, and/or
2. A security swap, to improve the quality, yield, or target duration in the portfolio, and/or
3. The liquidity needs of the portfolio require that the security be sold.

If there is a realized loss of principal on a particular security, the loss will first be allocated against the interest earned on that security in the quarter in which the security is sold.

If the security's current interest is not sufficient to cover the loss, then the Auditor-Controller may allocate the loss against the total current and future portfolio interest earnings.

In the event of an imminent loss of principal for which the security's interest would not be sufficient to cover the loss, the Auditor-Controller may withhold from the total current and future portfolio interest earnings to reserve against a future maximum anticipated actual loss. In the event that an estimated loss does not materialize, or is less than the amount set aside, the funds reserved from interest earnings to cover the estimated loss would be

immediately released and apportioned on the following quarter to the interest earning funds in the pool.

## 20. SAFEKEEPING

Investments are held in a third-party safekeeping custodial account designated by the Treasurer to provide the public with the highest degree of protection with regard to investments held in the portfolio. The delivery-versus-payment (DVP) purchase procedure will be used. Third-party safekeeping refers to holding securities in a trust account by an entity other than the party through whom the investment was purchased. The DVP refers to the practice of using an escrow procedure to process a transaction through the third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met.

## 21. "WAIVER OF SECURITY" ON DEPOSITS

"Waiver of Security" on deposits covered by FDIC or FSLIC insurance shall be at the discretion of the Treasurer and will require the Treasurer's signature.

## 22. CREDIT OF INTEREST RATES

California Government Code, Section §53684 (b) requires County Treasurers to apportion quarterly to the local agencies or districts any interest earned from the investment of funds. Interest earned is in an amount proportionate to the average daily balance of the amounts the local agencies or districts deposit. The County Auditor-Controller shall conduct the apportionment process based on the net earnings of the Pool each quarter.

## 23. MAXIMUM DAYS TO MATURITY

Investment decisions are made with regard to safety, liquidity, cash flow needs and yield as a matter of policy. The California Government Code allows maturities to 5 years. Over 5 years requires Board approval. Generally, the maximum average time to maturity of County investments shall not exceed 2 years or 730 days. However, if extending maturities permit trading and portfolio advantages without significantly affecting cash flow needs, maturities may be extended past the prescribed limit.

## 24. INDEMNIFICATIONS

The Treasurer and treasury staff, when acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

Investments shall be made with judgment and care under the then prevailing circumstances which persons of prudence, discretion and intelligence exercise in the management of their own affairs. Investments will not be made for speculation but for investment considering safety of capital as well as probable income to be derived.

## 25. PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment portfolio shall be designed with the objective of

obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk, constraints and the cash flow needs. Return on investments (yield) is of least importance compared to the safety and liquidity principles described in this policy. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

#### 26. COSTS OF MANAGING TREASURY COMINGLED POOL (GC 27013)

Actual costs of investing, depositing, banking, auditing, reporting, and managing Treasury pool funds are deducted from the gross interest earned account, the balance is then apportioned to the accounts on an average daily balance method. Certain staff are dedicated solely to Treasury functions and appropriately charged to the maintenance of the funds. Banking fees are charged in arrears after the costs for the previous quarter are known. Special functions or services required or requested by a certain entity are paid by that entity.

For directed investments outside of the County comingled pool, there may be an applicable charge in accordance with CA Gov Code §54985.

#### 27. CONFLICT OF INTEREST

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose any material financial interests in financial institutions which conduct business with the County of Madera and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the County of Madera investment portfolio. This disclosure may be submitted in the form of the County of Madera Statement of Economic Interest Form 700.

28. POOL INVESTMENT PARAMETERS

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer
Bonds (Municipal Bonds) (§53601(a))	100	100	5 Years	5 Years	100
U.S. Treasury Bills (§53601(b))	100	100	5 Years	5 Years	100
Registered State Warrants (§53601(c))	100	100	5 Years	5 Years	100
Bonds, Notes, Warrants (§53601(e))	100	100	5 Years	5 Years	100
Federal Agency or United States Government-Sponsored Enterprise (§53601(f))	100	100	5 Years	5 Years	100
Bankers' Acceptances (§53601(g))	40	40	180 Days	180 Days	30
Commercial Paper (§53635 (a))	40	40	270 Days	270 Days	10
Negotiable Certificates of Deposit ( §3601(i))	30	30	5 Years	5 Years	5
Non-negotiable Time Certificates of Deposit (§53651)	50	100	5 Years	5 Years	15
Investments in Repurchase Agreements (§53601 and/or §53635)	20	20	1 Year	1 Year	20
Medium Term Notes (Corporate) (§53601(k))	30	30	5 Years	5 Years	30
Shares of Beneficial Interest (Money Market Mutual Funds) (§53601(l))	20	20	5 Years	5 Years	10
Local Agency Investment Fund (L.A.I.F.) (§16429.1)	Maximum Allowed	Per State Treasury Policy	N/A	N/A	N/A
Shares of Beneficial Interest (§53601 (p))	100	100	N/A	N/A	N/A
Supranational Obligations (§53601(q))	30	30	5 Years	5 Years	30
Certificate of Deposit Account Registry Service (CDARS) (53635.8(i))	30	30	5 Years	5 Years	30

With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government Securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial Paper is further limited to 10% of the outstanding paper of the issuing corporation.

Tracy Kennedy  
 Treasurer-Tax Collector  
 County of Madera

10-13-21

Date

## 29. APPENDIX I: GLOSSARY OF TERMS

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement.

The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.

**AGENCY:** Securities issued by government-sponsored corporations such as Federal Home Loan Banks (FHLB) or Federal Land Banks (FLB.) Agency securities are exempt from Securities and Exchange Commission (SEC) registration requirements.

**BANKERS' ACCEPTANCE (BA):** Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

**BOND:** A long-term debt instrument in which the investor lends money to the bond issuer, who agrees to pay a stated rate of interest over a specified period of time. Very simply, a bond is a promissory note which is traded in the financial markets. The investor's position is that of lender.

**BOOK VALUE:** The original cost of the investment, plus accrued interest, and amortization of any premium or discount.

**BROKER:** A broker brings buyers and sellers together and is compensated for his/her service.

**COLLATERAL:** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

**COMMERCIAL PAPER (CP):** Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

**COUPON OR COUPON RATE:** The rate at which a bond pays interest. Stated as a percentage of par and computed out to a dollar amount. Example: A note with a coupon of 6% pays \$30,000 interest per million dollars of par every six months, or \$60,000 annually.

**CREDIT RISK:** Defined as an issuer's ability and willingness to repay interest and principal; the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CUSTODIAN:** A bank or other financial institution that keeps custody of stock certificates and other assets.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DERIVATIVE:** A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

**DURATION:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):** is the largest independent regulator for all securities firms in the United States.

**FLOATING RATE NOTE:** A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, London Interbank Offered Rate (LIBOR), Secured Overnight Financing Rate (SOFR) etc.).

**INTEREST:** The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**LIQUIDITY:** The speed and ease with which an investment can be converted to cash.

**MARKET:** Refers to the place, physical or electronic, that investment transactions take place. The New York Stock Exchange (NYSE) is a recognized exchange (stock market) with a physical location in New York. The Chicago Board of Trade (CBT) is a recognized exchange (commodities market) with a physical location in Chicago. The “over-the-counter” market is an electronic and phone system used to trade investments which are not traded on recognized exchanges. Bond and money market investments (fixed income securities) are traded on the “over-the-counter” market.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MEDIUM TERM NOTES (MTN):** Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term “medium-term note” refers to the time it takes for an obligation to mature and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five- year maturity range.

**MONEY MARKET:** The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

**MONEY MARKET MUTUAL FUNDS:** An investment company that pools money from investors and invest in a variety of short-term money market instruments.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):** Firms that review the creditworthiness of the issuers of debt securities and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor’s Corporation; Moody’s Investor Services, Inc.; and Fitch, Inc.

**NET ASSET VALUE (NAV):** A per-share valuation of a mutual fund based on total assets

minus total liabilities.

**PORTFOLIO:** A group of securities held by an individual or institutional investor.

**PRICE:** The percentage of par at which a security is bought and sold. Corporate debt is traded in denominations of 100th of a percent. Government debt is traded in denominations of 32nds of a percent.

**PRIME RATE:** The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

**PRINCIPAL:** The face value or par value of an investment.

**PRUDENT INVESTOR STANDARD:** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**RATE OF RETURN:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

**REGISTERED STATE WARRANT:** A short-term obligation of a state governmental body issued in anticipation of revenue.

**REPURCHASE AGREEMENT:** The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

**RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD:** Federal Regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

**SUPRANATIONAL:** An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

**STRUCTURED NOTES:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc..) and Corporations that have imbedded options (e.g., call features, step-up coupons) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**TREASURY BILLS:** Non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

**TREASURY NOTES (USTN):** Interest-bearing obligations issued by the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

**VOLATILITY:** A degree of fluctuation in the price and valuation of securities.

**YIELD:** The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.





**COUNTY OF MADERA**  
**OFFICE OF THE TREASURER/TAX COLLECTOR**  
**TRACY KENNEDY**

200 W. 4<sup>th</sup> Street, 2<sup>nd</sup> Floor, Madera, CA 93637  
Telephone: (559) 675-7713  
e-mail: treasurer@maderacounty.com

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**MEMORANDUM**

Date: July 15, 2022  
To: Madera County Commingled Investment Pool Participants  
From: Tracy Kennedy, Treasurer-Tax Collector  
Subject: Investment Portfolio Summary – June 2022

**REQUIREMENT**

In compliance with Government Code 53646 (b) the County Treasurer is, at a minimum, required to submit a quarterly investment report within 30 days following the end of each quarter. The Treasurer, however, elected to exceed the minimum requirement by increasing its frequency to a monthly report and disseminate to all pool participants.

Also required in the report is a disclosure of type of investment, name of issuer, date of maturity, par value and the sub total amounts invested for each category held by the County Treasurer including the market value provided by our custodial bank, Principal. For your convenience, our investment reports can also be found on our website at:

[www.maderacounty.com/government/treasurer-tax-collector](http://www.maderacounty.com/government/treasurer-tax-collector).

While the County Treasurer takes all economic conditions under advisement, our primary goal is to ensure proper liquidity is available for all depositors while taking into consideration all pool expenditure requirements.

- c.c. Alview-Dairyland  
Bass Lake School District  
Chawanakee Unified School District  
Chowchilla Cemetery District  
Chowchilla Elementary School District  
Chowchilla High School District  
County Administrative Officer  
County Auditor-Controller  
County Board of Supervisors  
County Superintendent of Schools  
Golden Valley School District  
Madera Cemetery District  
Madera County District Attorney  
Madera County Transportation Commission  
Madera Unified School District  
Raymond-Knowles School District  
Philip Toler, County Special Districts  
Yosemite Unified School District



**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Summary**  
**June 30, 2022**

Madera County  
 200 W. 4th Street  
 Madera, CA 93637  
 (559)675-7013

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.
Medium Term Notes	39,500,000.00	36,495,030.00	39,127,089.84	5.04	1,541	1,287	1.389
Federal Agency Coupon Callable	263,285,714.29	248,514,888.58	263,325,481.70	33.89	1,435	952	0.611
Treasury Coupon Securities	116,000,000.00	110,809,460.00	115,273,471.67	14.84	994	674	0.578
CAMP: CA Asset Mgmt Program	95,107,352.36	95,107,352.36	95,107,352.36	12.24	1	1	1.361
Federal Agency Disc. -Amortizing	8,000,000.00	7,968,540.00	7,965,110.83	1.03	157	77	1.011
Local Agency Investment Funds	34,851,910.95	34,851,910.95	34,851,910.95	4.49	1	1	0.907
Federal Agency Bullet	209,000,000.00	200,589,240.00	208,849,579.60	26.88	1,056	694	0.580
Municipal Bond	8,994,174.00	8,980,004.00	8,994,174.00	1.16	5,546	4,078	3.417
Grant Anticipation Note	3,516,000.00	3,516,000.00	3,516,000.00	0.45	779	652	0.679
	<b>778,255,151.60</b>	<b>746,832,425.89</b>	<b>777,010,170.95</b>	<b>100.00%</b>	<b>1,065</b>	<b>725</b>	<b>0.779</b>

Investments	June 30 Month Ending	Fiscal Year To Date	Fiscal Year Ending
<b>Total Earnings</b>			
Current Year	431,351.87	3,491,875.59	3,491,875.59
<b>Average Daily Balance</b>	<b>742,043,271.37</b>	<b>634,122,042.34</b>	
<b>Effective Rate of Return</b>	<b>0.71%</b>	<b>0.55%</b>	

Active Account Balance as of 06/30/2022: \$31,372,545.24.

PURSUANT TO GOVERNMENT CODE SECTION 53646:

- (b)(2) THE COUNTY'S PORTFOLIO IS IN COMPLIANCE WITH THE 2022 INVESTMENT POLICY VALID 01/01/2022 THROUGH 12/31/2022.
- (b)(3) THE MADERA COUNTY CO-MINGLED INVESTMENT POOL IS ABLE TO MEET THE POOL'S EXPENDITURE REQUIREMENTS FOR THE NEXT SIX MONTHS.
- (b)(1) MARKET VALUE SOURCE: PRINCIPAL CUSTODY SOLUTIONS.

*Tracy Kennedy*      7/18/22

Tracy Kennedy, Treasurer-Tax Collector

**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2022**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Maturity	YTM 360	S&P	Maturity Date
<b>Medium Term Notes</b>												
89236THF5	1728	Toyota		03/29/2021	5,000,000.00	4,848,350.00	5,007,452.63	0.500	409	0.395	A	08/14/2023
037833DX5	1740	APPLE INC.		06/28/2021	3,000,000.00	2,746,110.00	2,975,146.25	0.550	1,146	0.780	AA	08/20/2025
037833DX5	1757	APPLE INC.		09/30/2021	5,000,000.00	4,576,850.00	4,939,745.00	0.550	1,146	0.889	AA	08/20/2025
023135BX3	1741	AMAZON.COM INC		06/28/2021	3,000,000.00	2,728,230.00	3,000,000.00	1.000	1,411	0.986	AA	05/12/2026
023135BX3	1789	AMAZON.COM INC		01/27/2022	5,000,000.00	4,547,050.00	4,888,155.34	1.000	1,411	1.559	AA	05/12/2026
89236TJK2	1756	Toyota		09/30/2021	7,000,000.00	6,311,060.00	6,979,620.35	1.125	1,448	1.184	A	06/18/2026
594918BR4	1805	Microsoft Corp		04/25/2022	5,000,000.00	4,805,350.00	4,862,621.67	2.400	1,499	3.176	AAA	08/08/2026
24422EWA3	1782	John Deere		01/11/2022	1,500,000.00	1,368,930.00	1,493,770.83	1.700	1,655	1.764	A	01/11/2027
24422EWA3	1783	John Deere		01/11/2022	2,000,000.00	1,825,240.00	1,991,694.44	1.700	1,655	1.764	A	01/11/2027
24422EWA3	1784	John Deere		01/12/2022	3,000,000.00	2,737,860.00	2,988,883.33	1.700	1,655	1.755	A	01/11/2027
<b>Subtotal and Average</b>			<b>39,125,646.28</b>		<b>39,500,000.00</b>	<b>36,495,030.00</b>	<b>39,127,089.84</b>		<b>1,287</b>	<b>1.389</b>		
<b>Federal Agency Coupon Callable</b>												
3134GXDG6	1683	Federal Home Loan Mortgage Cor		11/23/2020	6,000,000.00	5,952,720.00	6,000,000.00	0.190	145	0.187		11/23/2022
3134GXEU4	1684	Federal Home Loan Mortgage Cor		12/16/2020	6,000,000.00	5,938,800.00	6,000,000.00	0.200	168	0.197		12/16/2022
3134GW7E0	1681	Federal Home Loan Mortgage Cor		11/18/2020	5,000,000.00	4,925,250.00	5,000,000.00	0.200	230	0.197		02/16/2023
3134GXFB5	1691	Federal Home Loan Mortgage Cor		12/14/2020	5,000,000.00	4,913,600.00	5,000,000.00	0.220	256	0.217		03/14/2023
3134GW7D2	1676	Federal Home Loan Mortgage Cor		11/16/2020	3,000,000.00	2,932,770.00	3,000,000.00	0.220	319	0.217		05/16/2023
3134GXED2	1686	Federal Home Loan Mortgage Cor		12/08/2020	7,000,000.00	6,831,510.00	7,000,000.00	0.250	342	0.247		06/08/2023
3134GXBE3	1677	Federal Home Loan Mortgage Cor		11/16/2020	4,000,000.00	3,879,360.00	4,000,000.00	0.250	411	0.247		08/16/2023
3135G05T6	1698	Federal National Mortg. Assoc.		01/20/2021	5,000,000.00	4,858,300.00	5,007,797.41	0.350	413	0.242		08/18/2023
3133EMHL9	1687	Federal Farm Credit		11/30/2020	3,000,000.00	2,888,550.00	3,000,000.00	0.310	517	0.306		11/30/2023
3134GXEV0	1685	Federal Home Loan Mortgage Cor		12/14/2020	4,000,000.00	3,846,400.00	4,000,000.00	0.300	531	0.296		12/14/2023
3133EMTD4	1711	Federal Farm Credit		03/15/2021	5,000,000.00	4,777,500.00	5,000,000.00	0.370	623	0.365		03/15/2024
3135GA4S7	1679	Federal National Mortg. Assoc.		11/17/2020	5,000,000.00	4,764,500.00	5,000,000.00	0.375	686	0.370		05/17/2024
3134GWJ64	1664	Federal Home Loan Mortgage Cor		09/10/2020	5,000,000.00	4,743,350.00	5,000,000.00	0.400	710	0.395		06/10/2024
3134GWJ64	1665	Federal Home Loan Mortgage Cor		09/10/2020	5,000,000.00	4,743,350.00	5,000,000.00	0.400	710	0.395		06/10/2024
3135GA5Y3	1692	Federal National Mortg. Assoc.		12/14/2020	10,000,000.00	9,489,100.00	10,000,000.00	0.375	714	0.370		06/14/2024
3134GW7U0	1669	Federal Home Loan Mortgage Cor		09/28/2020	5,000,000.00	4,742,400.00	5,000,000.00	0.375	728	0.370		06/28/2024
3134GW4X1	1672	Federal Home Loan Mortgage Cor		10/29/2020	3,000,000.00	2,836,530.00	3,000,000.00	0.375	759	0.370		07/29/2024
3134GXGP3	1690	Federal Home Loan Mortgage Cor		12/16/2020	5,000,000.00	4,722,250.00	5,000,000.00	0.400	808	0.395		09/16/2024
3130ALTH7	1723	Federal Home Loan Bank		03/30/2021	5,000,000.00	4,710,800.00	5,000,000.00	0.510	822	0.503		09/30/2024
3130ALWY6	1734	Federal Home Loan Bank		04/22/2021	2,285,714.29	2,167,588.58	2,285,714.29	0.625	844	0.616		10/22/2024
3130ALVR2	1735	Federal Home Loan Bank		04/23/2021	5,000,000.00	4,715,850.00	4,998,035.71	0.520	845	0.529		10/23/2024
3130ALU69	1724	Federal Home Loan Bank		04/13/2021	10,000,000.00	9,465,600.00	10,000,000.00	0.580	896	0.572		12/13/2024
3133EMLP5	1693	Federal Farm Credit		12/29/2020	10,000,000.00	9,311,600.00	10,000,000.00	0.320	906	0.316		12/23/2024

**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2022**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Maturity	YTM 360	S&P	Maturity Date
<b>Federal Agency Coupon Callable</b>												
3134GXKF0	1694	Federal Home Loan Mortgage Cor		01/15/2021	10,000,000.00	9,341,700.00	10,000,000.00	0.350	929	0.345		01/15/2025
3130AN7L8	1746	Federal Home Loan Bank		07/28/2021	5,000,000.00	4,711,500.00	5,000,000.00	0.520	942	0.513		01/28/2025
3133EMSC7	1706	Federal Farm Credit		03/03/2021	5,000,000.00	4,661,550.00	5,000,000.00	0.480	976	0.473		03/03/2025
3133EMVS8	1725	Federal Farm Credit		04/14/2021	5,000,000.00	4,682,050.00	5,000,000.00	0.690	1,018	0.681		04/14/2025
3130APQE8	1768	Federal Home Loan Bank		11/22/2021	4,000,000.00	3,838,600.00	4,038,434.29	1.500	1,056	1.156		05/22/2025
3134GWP91	1667	Federal Home Loan Mortgage Cor		09/16/2020	5,000,000.00	4,608,450.00	5,000,000.00	0.500	1,081	0.493		06/16/2025
3134GXFY5	1689	Federal Home Loan Mortgage Cor		12/17/2020	3,000,000.00	2,770,800.00	3,000,000.00	0.500	1,082	0.493		06/17/2025
3133EMFC1	1674	Federal Farm Credit		10/29/2020	3,000,000.00	2,802,570.00	3,000,000.00	0.530	1,124	0.523		07/29/2025
3133EMFC1	1675	Federal Farm Credit		11/05/2020	3,000,000.00	2,802,570.00	3,000,000.00	0.530	1,124	0.523		07/29/2025
3130APP41	1769	Federal Home Loan Bank		11/22/2021	6,000,000.00	5,685,840.00	6,000,000.00	1.125	1,148	1.110		08/22/2025
3136G4M83	1660	Federal National Mortg. Assoc.		08/28/2020	5,000,000.00	4,630,500.00	5,000,000.00	0.600	1,154	0.592		08/28/2025
3134GWYP26	1670	Federal Home Loan Mortgage Cor		10/08/2020	5,000,000.00	4,595,750.00	5,000,000.00	0.570	1,195	0.562		10/08/2025
3133ENUZ1	1804	Federal Farm Credit		04/20/2022	3,000,000.00	2,970,780.00	2,995,500.00	3.090	1,207	3.093		10/20/2025
3134GW3X2	1671	Federal Home Loan Mortgage Cor		10/27/2020	3,000,000.00	2,758,290.00	3,000,000.00	0.625	1,214	0.616		10/27/2025
3136G45C3	1673	Federal National Mortg. Assoc.		10/27/2020	4,000,000.00	3,681,000.00	4,000,000.00	0.540	1,214	0.533		10/27/2025
3133ENDV9	1772	Federal Farm Credit		11/17/2021	5,000,000.00	4,684,900.00	5,000,000.00	1.030	1,235	1.016		11/17/2025
3134GXCH5	1682	Federal Home Loan Mortgage Cor		11/25/2020	5,000,000.00	4,628,300.00	5,000,000.00	0.600	1,243	0.592		11/25/2025
3135GAC66	1695	Federal National Mortg. Assoc.		01/21/2021	3,000,000.00	2,740,830.00	3,000,000.00	0.500	1,300	0.493		01/21/2026
3130AKN51	1696	Federal Home Loan Bank		01/28/2021	10,000,000.00	9,190,500.00	10,000,000.00	0.520	1,307	0.513		01/28/2026
3130AKTM8	1699	Federal Home Loan Bank		01/28/2021	4,000,000.00	3,670,960.00	4,000,000.00	0.480	1,307	0.473		01/28/2026
3130ALH56	1712	Federal Home Loan Bank		03/18/2021	5,000,000.00	4,609,750.00	5,000,000.00	0.750	1,356	0.740		03/18/2026
3133EMUK6	1718	Federal Farm Credit		03/25/2021	2,000,000.00	1,866,520.00	2,000,000.00	1.050	1,363	1.036		03/25/2026
3130ALUC6	1733	Federal Home Loan Bank		04/15/2021	2,000,000.00	1,859,260.00	2,000,000.00	1.020	1,384	1.006		04/15/2026
3130AMYP1	1743	Federal Home Loan Bank		07/15/2021	4,000,000.00	3,720,800.00	4,000,000.00	1.125	1,475	1.110		07/15/2026
3130AP3E3	1752	Federal Home Loan Bank		09/30/2021	5,000,000.00	4,576,600.00	5,000,000.00	0.820	1,552	0.809		09/30/2026
3130APBV6	1762	Federal Home Loan Bank		10/07/2021	6,000,000.00	5,536,080.00	6,000,000.00	1.000	1,559	0.986		10/07/2026
3130APGT6	1764	Federal Home Loan Bank		10/28/2021	6,000,000.00	5,520,600.00	6,000,000.00	1.150	1,580	1.134		10/28/2026
3133ENDC1	1771	Federal Farm Credit		11/03/2021	6,000,000.00	5,570,340.00	6,000,000.00	1.330	1,586	1.312		11/03/2026
3130APPC3	1770	Federal Home Loan Bank		11/18/2021	5,000,000.00	4,678,250.00	5,000,000.00	1.350	1,601	1.332		11/18/2026
3130ARMS7	1802	Federal Home Loan Bank		04/29/2022	3,000,000.00	2,961,570.00	3,000,000.00	3.000	1,763	2.959		04/29/2027
<b>Subtotal and Average</b>			<b>263,325,481.70</b>		<b>263,285,714.29</b>	<b>248,514,888.58</b>	<b>263,325,481.70</b>		<b>952</b>	<b>0.611</b>		
<b>Treasury Coupon Securities</b>												
91282CAC5	1732	US Treasury		04/08/2021	5,000,000.00	4,995,850.00	5,001,033.24	0.125	30	0.082		07/31/2022
91282CAG6	1721	US Treasury		03/25/2021	5,000,000.00	4,988,050.00	5,000,877.86	0.125	61	0.089		08/31/2022
91282CAR2	1719	US Treasury		03/22/2021	10,000,000.00	9,934,100.00	10,001,001.36	0.125	122	0.104		10/31/2022

**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2022**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Maturity	YTM 360	S&P	Maturity Date
<b>Treasury Coupon Securities</b>												
91282CBG5	1709	US Treasury		03/05/2021	5,000,000.00	4,929,500.00	4,999,693.16	0.125	214	0.129		01/31/2023
91282CCD1	1760	US Treasury		10/05/2021	6,000,000.00	5,851,380.00	5,995,034.60	0.125	334	0.205		05/31/2023
912828ZY9	1731	US Treasury		04/06/2021	10,000,000.00	9,712,100.00	9,987,308.72	0.125	379	0.207		07/15/2023
91282CAP6	1720	US Treasury		03/24/2021	6,000,000.00	5,784,360.00	5,991,345.93	0.125	471	0.218		10/15/2023
91282CDV0	1795	US Treasury		02/03/2022	5,000,000.00	4,838,300.00	4,973,800.07	0.875	579	1.130		01/31/2024
91282CBV2	1779	US Treasury		01/06/2022	5,000,000.00	4,773,050.00	4,951,147.40	0.375	654	0.857		04/15/2024
91282CCC3	1738	US Treasury		06/23/2021	3,000,000.00	2,851,290.00	2,990,436.75	0.250	684	0.404		05/15/2024
91282CCL3	1753	US Treasury		09/23/2021	5,000,000.00	4,742,600.00	4,995,138.89	0.375	745	0.409		07/15/2024
912828YE4	1796	US Treasury		02/03/2022	5,000,000.00	4,817,000.00	4,997,148.23	1.250	792	1.256		08/31/2024
91282CCX7	1754	US Treasury		09/24/2021	5,000,000.00	4,719,150.00	4,983,230.44	0.375	807	0.503		09/15/2024
912828ZC7	1797	US Treasury		02/03/2022	5,000,000.00	4,759,000.00	4,964,291.09	1.125	973	1.350		02/28/2025
912828ZL7	1785	US Treasury		01/11/2022	5,000,000.00	4,640,450.00	4,871,029.57	0.375	1,034	1.237		04/30/2025
912828ZL7	1788	US Treasury		01/13/2022	5,000,000.00	4,640,450.00	4,870,281.33	0.375	1,034	1.243		04/30/2025
912828ZT0	1739	US Treasury		06/23/2021	3,000,000.00	2,768,310.00	2,964,094.67	0.250	1,065	0.646		05/31/2025
912828ZW3	1750	US Treasury		08/30/2021	4,000,000.00	3,682,800.00	3,958,166.07	0.250	1,095	0.595		06/30/2025
91282CAB7	1749	US Treasury		08/30/2021	4,000,000.00	3,672,640.00	3,949,106.28	0.250	1,126	0.610		07/31/2025
91282CAJ0	1748	US Treasury		08/30/2021	4,000,000.00	3,662,520.00	3,947,058.81	0.250	1,157	0.624		08/31/2025
91282CAZ4	1763	US Treasury		10/06/2021	6,000,000.00	5,480,160.00	5,910,030.77	0.375	1,248	0.800		11/30/2025
91282CCZ2	1758	US Treasury		09/30/2021	5,000,000.00	4,566,400.00	4,972,216.43	0.875	1,552	0.988		09/30/2026
<b>Subtotal and Average</b>			<b>115,266,793.26</b>		<b>116,000,000.00</b>	<b>110,809,460.00</b>	<b>115,273,471.67</b>		<b>674</b>	<b>0.578</b>		
<b>CAMP: CA Asset Mgmt Program</b>												
SYS1486	1486	California Asset Mgmt. Program			95,107,352.36	95,107,352.36	95,107,352.36	1.380	1	1.361		
<b>Subtotal and Average</b>			<b>60,386,259.87</b>		<b>95,107,352.36</b>	<b>95,107,352.36</b>	<b>95,107,352.36</b>		<b>1</b>	<b>1.361</b>		
<b>Bank of the West</b>												
SYS1143	1143	BANK OF THE WEST			0.00	0.00	0.00	0.100	1	0.099		
<b>Subtotal and Average</b>			<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0</b>	<b>0.000</b>		
<b>Citizens Business Bank</b>												
SYS1688	1688	Citizens Business Bank			0.00	0.00	0.00	0.100	1	0.099		
<b>Subtotal and Average</b>			<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>0</b>	<b>0.000</b>		
<b>Federal Agency Disc. -Amortizing</b>												
313385D45	1803	Federal Home Loan Bank		04/19/2022	3,000,000.00	2,991,990.00	2,990,002.50		56	0.946		08/26/2022

**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2022**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Maturity	YTM 360	S&P	Maturity Date
<b>Federal Agency Disc. -Amortizing</b>												
313385H58	1800	Federal Home Loan Bank		04/07/2022	5,000,000.00	4,976,550.00	4,975,108.33		89	1.050		09/28/2022
<b>Subtotal and Average</b>			<b>7,965,110.83</b>		<b>8,000,000.00</b>	<b>7,968,540.00</b>	<b>7,965,110.83</b>		<b>77</b>	<b>1.011</b>		
<b>Local Agency Investment Funds</b>												
SYS119	119	Local Agency Investment Fund			287,070.14	287,070.14	287,070.14	0.920	1	0.907		
SYS119	120	Local Agency Investment Fund			34,564,840.81	34,564,840.81	34,564,840.81	0.920	1	0.907		
<b>Subtotal and Average</b>			<b>34,779,828.38</b>		<b>34,851,910.95</b>	<b>34,851,910.95</b>	<b>34,851,910.95</b>		<b>1</b>	<b>0.907</b>		
<b>Federal Agency Bullet</b>												
3133ELT95	1702	Federal Farm Credit		03/01/2021	4,000,000.00	3,998,280.00	4,001,785.37	0.200	12	0.109		07/13/2022
3137EAET2	1704	Federal Home Loan Mortgage Cor		03/01/2021	5,000,000.00	4,995,550.00	5,000,373.21	0.125	24	0.109		07/25/2022
3133EMPR7	1707	Federal Farm Credit		03/03/2021	4,000,000.00	3,994,400.00	3,999,601.10	0.100	32	0.118		08/02/2022
3133EMTN2	1713	Federal Farm Credit		03/16/2021	5,000,000.00	4,983,500.00	5,000,000.00	0.125	77	0.123		09/16/2022
3133EMUU4	1727	Federal Farm Credit		03/29/2021	5,000,000.00	4,952,450.00	5,000,000.00	0.120	151	0.118		11/29/2022
3130ALRG1	1729	Federal Home Loan Bank		03/30/2021	8,000,000.00	7,856,960.00	7,998,643.51	0.125	259	0.140		03/17/2023
3133ENEW6	1775	Federal Farm Credit		12/10/2021	5,000,000.00	4,894,000.00	4,992,325.05	0.375	326	0.522		05/23/2023
3134GXBP8	1678	Federal Home Loan Mortgage Cor		11/24/2020	4,000,000.00	3,907,760.00	4,000,000.00	0.220	327	0.217		05/24/2023
3133ENDK3	1778	Federal Farm Credit		12/23/2021	5,000,000.00	4,884,400.00	4,990,194.29	0.350	342	0.540		06/08/2023
3133EM3S9	1766	Federal Farm Credit		10/13/2021	6,000,000.00	5,841,300.00	5,994,009.79	0.200	360	0.296		06/26/2023
3137EAES4	1759	Federal Home Loan Mortgage Cor		10/04/2021	5,000,000.00	4,866,400.00	5,002,315.11	0.250	360	0.201		06/26/2023
3137EAES4	1761	Federal Home Loan Mortgage Cor		10/05/2021	6,000,000.00	5,839,680.00	6,001,373.91	0.250	360	0.224		06/26/2023
3135G05G4	1708	Federal National Mortg. Assoc.		03/04/2021	5,000,000.00	4,867,450.00	5,004,487.23	0.250	374	0.187		07/10/2023
3133ENEY2	1773	Federal Farm Credit		11/24/2021	5,000,000.00	4,886,300.00	5,000,000.00	0.450	388	0.444		07/24/2023
3133ENEY2	1780	Federal Farm Credit		01/06/2022	3,000,000.00	2,931,780.00	2,992,161.29	0.450	388	0.617		07/24/2023
3130ANYM6	1767	Federal Home Loan Bank		10/29/2021	6,000,000.00	5,819,520.00	5,971,783.98	0.125	423	0.434		08/28/2023
3137EAEW5	1710	Federal Home Loan Mortgage Cor		03/05/2021	5,000,000.00	4,844,850.00	5,002,990.03	0.250	434	0.207		09/08/2023
3133EMUF7	1716	Federal Farm Credit		03/22/2021	2,000,000.00	1,935,720.00	1,999,364.00	0.220	448	0.238		09/22/2023
3133EMUF7	1726	Federal Farm Credit		03/26/2021	5,000,000.00	4,839,300.00	5,000,000.00	0.220	448	0.217		09/22/2023
3137EAAY1	1730	Federal Home Loan Mortgage Cor		03/30/2021	8,000,000.00	7,716,560.00	7,988,634.06	0.125	472	0.217		10/16/2023
3130AQF57	1781	Federal Home Loan Bank		01/07/2022	5,000,000.00	4,831,550.00	4,981,670.64	0.625	539	0.860		12/22/2023
3133ENLF5	1787	Federal Farm Credit		01/18/2022	5,000,000.00	4,852,800.00	4,998,250.00	0.900	566	0.905		01/18/2024
3133EMQL9	1701	Federal Farm Credit		02/12/2021	8,000,000.00	7,668,160.00	8,000,000.00	0.200	591	0.197		02/12/2024
3133EMV25	1747	Federal Farm Credit		08/25/2021	5,000,000.00	4,745,150.00	5,001,859.26	0.450	753	0.429		07/23/2024
3134GWB39	1662	Federal Home Loan Mortgage Cor		09/03/2020	5,000,000.00	4,722,600.00	5,000,000.00	0.420	795	0.414		09/03/2024
3133EM5X6	1755	Federal Farm Credit		09/24/2021	2,000,000.00	1,892,180.00	1,995,979.61	0.430	815	0.504		09/23/2024
3135G0V66	1765	Federal National Mortg. Assoc.		10/13/2021	6,000,000.00	5,814,240.00	6,148,974.12	1.625	837	0.614		10/15/2024

**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2022**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Maturity	YTM 360	S&P	Maturity Date
<b>Federal Agency Bullet</b>												
3130ALYN8	1736	Federal Home Loan Bank		04/28/2021	5,000,000.00	4,702,650.00	5,000,000.00	0.625	942	0.616		01/28/2025
3133ENPY0	1798	Federal Farm Credit		02/25/2022	5,000,000.00	4,854,550.00	4,991,000.00	1.750	970	1.787		02/25/2025
3133EMSJ2	1705	Federal Farm Credit		03/03/2021	5,000,000.00	4,662,350.00	4,983,762.50	0.430	976	0.532		03/03/2025
3130AK2L9	1663	Federal Home Loan Bank		09/04/2020	5,000,000.00	4,668,400.00	5,000,000.00	0.550	977	0.542		03/04/2025
3133ENVC1	1806	Federal Farm Credit		04/25/2022	3,000,000.00	2,973,180.00	2,987,130.00	2.750	1,029	2.861		04/25/2025
3130AN4A5	1744	Federal Home Loan Bank		07/06/2021	3,000,000.00	2,797,290.00	3,000,000.00	0.700	1,095	0.690		06/30/2025
3137EAEU9	1700	Federal Home Loan Mortgage Cor		01/26/2021	2,000,000.00	1,844,900.00	1,999,029.45	0.375	1,116	0.384		07/21/2025
3135G05X7	1714	Federal National Mortg. Assoc.		03/17/2021	4,000,000.00	3,673,680.00	3,955,245.56	0.375	1,151	0.691		08/25/2025
3137EAEX3	1737	Federal Home Loan Mortgage Cor		04/26/2021	5,000,000.00	4,586,450.00	4,949,210.96	0.375	1,180	0.661		09/23/2025
3130AKPL4	1697	Federal Home Loan Bank		01/28/2021	5,000,000.00	4,601,850.00	5,000,000.00	0.550	1,307	0.536		01/28/2026
3133EMUZ3	1722	Federal Farm Credit		03/30/2021	2,000,000.00	1,840,420.00	1,998,560.00	0.810	1,368	0.910		03/30/2026
3133ENUD0	1799	Federal Farm Credit		04/08/2022	3,000,000.00	2,947,800.00	3,000,000.00	2.640	1,377	2.604		04/08/2026
3133ENGC8	1774	Federal Farm Credit		12/01/2021	5,000,000.00	4,675,450.00	5,000,000.00	1.320	1,431	1.302		06/01/2026
3130AMFS6	1745	Federal Home Loan Bank		07/12/2021	4,000,000.00	3,641,080.00	3,998,405.42	0.750	1,442	0.750		06/12/2026
3130AN4T4	1776	Federal Home Loan Bank		12/13/2021	5,000,000.00	4,588,400.00	4,932,091.41	0.875	1,442	1.208		06/12/2026
3133EM4X7	1751	Federal Farm Credit		09/23/2021	3,000,000.00	2,730,060.00	3,000,000.00	0.800	1,532	0.789		09/10/2026
3130AQF65	1777	Federal Home Loan Bank		12/22/2021	5,000,000.00	4,623,750.00	4,994,128.74	1.250	1,634	1.260		12/21/2026
3133ENKV1	1786	Federal Farm Credit		01/13/2022	3,000,000.00	2,794,140.00	2,994,240.00	1.500	1,657	1.519		01/13/2027
<b>Subtotal and Average</b>			<b>208,841,177.05</b>		<b>209,000,000.00</b>	<b>200,589,240.00</b>	<b>208,849,579.60</b>		<b>694</b>	<b>0.580</b>		
<b>Municipal Bond</b>												
798153PV8	1801	SAN JOSE FING AUTH LEASE REVEN		04/21/2022	1,300,000.00	1,285,830.00	1,300,000.00	2.916	670	2.876	AA	05/01/2024
MC1560	1560	Pub Fin Auth (Bass Lake)		04/05/2017	5,280,000.00	5,280,000.00	5,280,000.00	3.500	4,080	3.452		09/01/2033
SYS1621	1621	Rolling Hills		01/30/2019	2,414,174.00	2,414,174.00	2,414,174.00	3.750	5,907	3.632		09/02/2038
<b>Subtotal and Average</b>			<b>8,994,174.00</b>		<b>8,994,174.00</b>	<b>8,980,004.00</b>	<b>8,994,174.00</b>		<b>4,078</b>	<b>3.417</b>		
<b>Grant Anticipation Note</b>												
MD 10A 1791	1791	MD 10A Madera Ranchos		01/25/2022	1,500,000.00	1,500,000.00	1,500,000.00	0.589	364	0.589		06/30/2023
MD1794	1794	MD36-Eastin Arcola		01/25/2022	400,000.00	400,000.00	400,000.00	0.589	548	0.581		12/31/2023
MD1793	1793	MD85 Valeta		01/25/2022	400,000.00	400,000.00	400,000.00	0.589	548	0.581		12/31/2023
CSA 1 PII 1807	1807	CSA 1 Indian Lakes		06/07/2022	342,000.00	342,000.00	342,000.00	1.000	1,065	1.000		05/31/2025
MD 19 PII 1808	1808	MD19 Parkwood		06/07/2022	444,000.00	444,000.00	444,000.00	1.000	1,065	1.000		05/31/2025
CSA 1 1790	1790	CSA 1 Indian Lakes		01/25/2022	190,000.00	190,000.00	190,000.00	0.589	1,095	0.589		06/30/2025
MD1792	1792	MD19 Parkwood		01/25/2022	240,000.00	240,000.00	240,000.00	0.589	1,095	0.589		06/30/2025
<b>Subtotal and Average</b>			<b>3,358,800.00</b>		<b>3,516,000.00</b>	<b>3,516,000.00</b>	<b>3,516,000.00</b>		<b>652</b>	<b>0.679</b>		

**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**June 30, 2022**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Maturity	YTM 360	S&P
Total and Average			742,043,271.37		778,255,151.60	746,832,425.89	777,010,170.95		725	0.779	



**Portfolio Management by Fund**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**June 30, 2022**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Days to Maturity	YTM 360	S&P
		Average Balance	0.00						0		
		Total Cash and Investments	742,043,271.37		778,255,151.60	746,832,425.89	777,010,170.95		725	0.779	

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## APPENDIX G

### BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this APPENDIX.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this APPENDIX. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (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 the Securities in the aggregate principal amount of such issue, and will be deposited with DTC.

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 is currently rated by Standard & Poor’s as “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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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 affect 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 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 Issuer or 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, Agent, or Issuer, 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 Issuer or 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 Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer 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 section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.



