NEW ISSUE - FULL BOOK-ENTRY **RATING: S&P: "AA-"**
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, 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 and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. For tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$25,795,000
CAJON VALLEY UNION SCHOOL DISTRICT
(San Diego County, California)
2022 General Obligation Refunding Bonds

Dated: Date of Delivery **Due: August 1, as shown on inside front cover**

Authority and Purpose. The 2022 General Obligation Refunding Bonds (the "Bonds") are being issued by the Cajon Valley Union School District (the "District") pursuant to certain provisions of the California Government Code and pursuant to a resolution of the Governing Board of the District adopted on August 9, 2022 (the "Bond Resolution"). The Bonds are being issued to refund certain maturities of the District's outstanding 2012 General Obligation Refunding Bonds and all of the District's outstanding General Obligation Bonds 2008 Election, Series C. See "THE BONDS – Authority for Issuance" and "THE REFINANCING PLAN" herein.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by San Diego County (the "County"). The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other outstanding issues of general obligation bonds which are similarly payable from *ad valorem* taxes levied on parcels in the District and will be payable on a parity basis with the Bonds. See "SECURITY FOR THE BONDS."

Book-Entry Only. 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 of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and APPENDIX F.

Payments. The Bonds are dated the date of delivery, and are being issued as current interest bonds. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing February 1, 2023. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as agent for the County Treasurer-Tax Collector, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Description of the Bonds."

No Redemption. The Bonds are not subject to redemption prior to maturity.

MATURITY SCHEDULE
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds, in book-entry form, will be available through the facilities of DTC on or about September 29, 2022.

Barclays

The date of this Official Statement is September 15, 2022.

MATURITY SCHEDULE

CAJON VALLEY UNION SCHOOL DISTRICT
(San Diego County, California)
2022 General Obligation Refunding Bonds

Base CUSIP†: 128019

$25,795,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2023	$1,065,000	5.000%	2.350%	102.185	YY6
2024	350,000	5.000	2.450	104.554	YZ3
2025	550,000	5.000	2.480	106.863	ZA7
2026	2,870,000	5.000	2.500	109.093	ZB5
2027	3,210,000	5.000	2.560	111.035	ZC3
2028	3,570,000	5.000	2.620	112.804	ZD1
2029	3,950,000	5.000	2.710	114.204	ZE9
2030	4,355,000	5.000	2.790	115.460	ZF6
2031	4,785,000	5.000	2.900	116.266	ZG4
2032	1,090,000	5.000	2.970	117.205	ZH2

†CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

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 following statement has been provided by the Underwriter of the Bonds: 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 overallot or take other steps that stabilize or maintain the market prices of the Bonds at levels above that which 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 Bond 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. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
(San Diego County, California)

GOVERNING BOARD OF THE DISTRICT

Tamara Otero, *President*
James P. Miller, Jr., *Vice President*
Karen Clark-Mejia, *Clerk*
Jo Alegria, *Member*
Jill Barto*, Member*

DISTRICT ADMINISTRATION

David Miyashiro, Ed. D., *Superintendent*
Scott Buxbaum, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

Dale Scott & Company, Inc.
San Francisco, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

COUNSEL TO THE UNDERWRITER

Kutak Rock LLP
Denver, Colorado

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

San Diego County Treasurer-Tax Collector
through its agent
U.S. Bank Trust Company, National Association
Los Angeles, California

ESCROW BANK

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

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$25,795,000
CAJON VALLEY UNION SCHOOL DISTRICT
(San Diego County, California)
2022 General Obligation Refunding Bonds

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the 2022 General Obligation Refunding Bonds (the "**Bonds**") by the Cajon Valley Union School District (the "**District**").

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District, originally formed in 1870, is located in the El Cajon Valley, northeast of the City of San Diego in San Diego County (the "**County**") and about 20 miles from the Pacific coast. The District encompasses approximately 66.3 square miles serving approximately 14,748 students. The District currently operates 19 elementary schools, six middle schools, three special program schools, and 12 state preschool centers.

For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the City of El Cajon and the County.

COVID-19 Statement. The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable with financial and economic impacts that cannot be predicted. While COVID-19 appears to be moving towards endemic status, investors are cautioned that the District cannot at this time predict the impacts that the COVID-19 pandemic may ultimately have on its operations and finances, property values in the District, and economic activity in the District, the State of California (the "**State**"), the nation, or globally. For more information regarding the COVID-19 emergency, see "SECURITY FOR THE BONDS – COVID-19 Global Pandemic" and "DISTRICT GENERAL INFORMATION – District's Response to COVID-19 Emergency" in APPENDIX A.

Purpose. The Bonds are being issued by the District to refund certain maturities of the District's outstanding 2012 General Obligation Refunding Bonds (the "**2012 Refunding Bonds**"), to refund all of the District's outstanding General Obligation Bonds 2008 Election, Series C (the "**2008C Bonds**"), and to pay related costs of issuance. See "THE REFINANCING PLAN" herein.

Authority for Issuance of the Bonds. The Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 thereof, and pursuant to a resolution adopted by the Governing Board of the District (the "**Board**") on August 9, 2022 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

Description of the Bonds. The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be dated their date of delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing February 1, 2023. See "THE BONDS – Description of the Bonds" herein.

Payment and Registration of the Bonds. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Bonds (the "**Beneficial Owners**") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC's book-entry only system ("**DTC Participants**") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See "THE BONDS - Registration, Transfer and Exchange of Bonds" herein.

No Redemption. The Bonds are not subject to redemption prior to maturity.

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

Legal Matters. Issuance of the Bonds is subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (**"Bond Counsel"**), to be delivered in substantially the forms attached hereto as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District (**"Disclosure Counsel"**). Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

Tax Matters. In the opinion of Bond Counsel, 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 individual alternative minimum tax. For tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" and Appendix D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed in connection with the Bonds. The form of the Continuing Disclosure Certificate is included in APPENDIX E hereto. See "CONTINUING DISCLOSURE" herein.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this

Official Statement and information concerning the Bonds are available from the District from the Superintendent's Office at Cajon Valley Union School District, 750 East Main Street, El Cajon, California 92020, Telephone: (619) 588-3000. The District may impose a charge for copying, mailing and handling.

THE REFINANCING PLAN

As described herein, proceeds of the Bonds will be used to refinance certain maturities of the outstanding 2012 Refunding Bonds (the "**2012 Refunded Bonds**") issued as current interest bonds and to refinance certain maturities of the outstanding 2008C Bonds (the "**2008C Refunded Bonds**" and together with the 2012 Refunded Bonds, the "**Refunded Bonds**") issued as current interest bonds and capital appreciation bonds, as further identified in the following tables, and to pay related costs of issuance.

The 2012 Refunding Bonds. On June 28, 2012, the District issued its 2012 Refunding Bonds, in the aggregate principal amount of $13,690,000, in order to refund all of the then outstanding District's General Obligation Bonds, 2000 Election, Series C.

Identification of 2012 Refunded Bonds

Maturities Payable from Escrow (August 1)	CUSIP†	Principal Amount	Redemption Date	Redemption Price
2023	128019 RK4	$680,000	10/17/2022	100%
2026	128019 RN8	770,000	10/17/2022	100
2027	128019 RP3	795,000	10/17/2022	100
2028	128019 RQ1	825,000	10/17/2022	100
2029	128019 RR9	855,000	10/17/2022	100
2030	128019 RS7	885,000	10/17/2022	100
2032 T	128019 RU2	1,865,000	10/17/2022	100
TOTAL		$6,675,000		

T Term Bond.
† CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

The 2008C Bonds. On August 21, 2012, the District issued its 2008C Bonds in the aggregate principal amount of $19,999,932.35.

Identification of 2008C Refunded Bonds
Capital Appreciation Bonds

Maturities Payable from Escrow (August 1)	CUSIP†	Denominational Amount	Value at Redemption	Redemption Date	Redemption Price
2023	128019SJ6	$548,954.25	$819,126.10	10/17/2022	100%
2024	128019SK3	618,670.80	946,407.00	10/17/2022	100
2025	128019SL1	685,563.75	1,074,060.00	10/17/2022	100
2026	128019SM9	1,557,108.00	2,485,926.40	10/17/2022	100
2027	128019SN7	1,548,558.00	2,514,348.80	10/17/2022	100
2028	128019SP2	1,533,383.70	2,532,015.80	10/17/2022	100
2030	128019SQ0	343,915.20	575,825.40	10/17/2022	100
TOTAL		$6,836,153.70	$10,947,709.50		

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Identification of 2008C Refunded Bonds
Current Interest Bonds

Maturities Payable from Escrow (August 1)	CUSIP†	Principal Amount	Redemption Date	Redemption Price
2029	128019RY4	$1,385,000.00	10/17/2022	100%
2029	128019 RZ1	2,200,000.00	10/17/2022	100
2030	128019SA5	3,080,000.00	10/17/2022	100
2031	128019RZ1	4,265,000.00	10/17/2022	100
2032	128019SC1	225,000.00	10/17/2022	100
TOTAL		$11,155,000.00		

† CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

Deposits in Escrow Fund. The District will deliver the net proceeds of the Bonds to U.S. Bank Trust Company, National Association (the **"Escrow Bank"**), for deposit in an escrow fund (the "**Escrow Fund**") established under certain irrevocable refunding instructions (the "**Refunding Instructions**"), between the District and the Escrow Bank. The Escrow Bank will apply such funds, together with interest earnings thereon, to pay the principal of and interest on the Refunded Bonds, as set forth above, on the redemption date identified above.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore P.C., certified public accountants (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Bank on the date of issuance of the Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Refunding Instructions, and will cease to be secured by *ad valorem* property taxes levied in the District.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds	**The Bonds**
Principal Amount of Bonds	$25,795,000.00
Net Original Issue Premium	3,349,454.75
Total Sources	**$29,144,454.75**
Uses of Funds	
Deposit to Escrow Fund	$28,910,390.19
Costs of Issuance [1]	234,064.56
Total Uses	**$29,144,454.75**

(1) All estimated costs of issuing the Bonds including, but not limited to, fees of Bond Counsel Disclosure Counsel, the Financial Advisor, the Paying Agent, the Verification Agent, the Escrow Bank and the rating agency, and Underwriter's discount.

THE BONDS

Authority for Issuance

The Bonds will be issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 and of Part 1 of Division 2 of Title 5 of the California Government Code and the Bond Resolution.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. 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 DTC. Purchasers will not receive physical certificates representing an interest in the Bonds. See "Book-Entry Only System" and APPENDIX F.

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2023 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2023, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

Book-Entry Only System

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 of The Depository Trust Company, New York, New York ("**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the U.S. Bank Trust Company, N.A., as agent for the County Treasurer-Tax Collector (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See APPENDIX F.

The Paying Agent, the District, and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

No Redemption

The Bonds are not subject to redemption prior to maturity.

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond shall be made only to or upon the order of that person; none of the District, the County or the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

Defeasance

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid as such principal and interest become due.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay any outstanding Bond, then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

Information Related to Potential Community Reinvestment Act Credit

The Community Reinvestment Act (the "**CRA**") is federal legislation that is intended to encourage depository institutions to help meet the credit needs of low and moderate-income neighborhoods. Performance for purposes of the CRA is evaluated in a number of ways including credits for investment (including by purchasing municipal bonds) in areas that provide free or reduced-price school meals through the National School Lunch Program (the "**NSLP**") to eligible students who participate in certain federal assistance program, including the Supplemental Nutrition Assistance Program.

For the 2021-22 school year, 54.1% of students in the District were eligible for the NSLP, meaning they were eligible to receive free or reduced-price meals, as provided by the California Department of Education based on information certified by local educational agencies as part of the California Longitudinal Pupil Achievement Data System Fall 1 data submission.

No representations can be made as to the status of any investment in the Bonds as it might affect performance by any depository institution under the CRA.

APPLICATION OF PROCEEDS OF THE BONDS

Escrow Fund

Pursuant to the Bond Resolution, net proceeds from the sale of the Bonds will be transferred to the Escrow Bank, for deposit in the Escrow Fund. The Escrow Bank will apply such funds, together with interest earnings thereon, to pay the principal of and interest on the Refunded Bonds. See "THE REFINANCING PLAN – Deposits in the Escrow Fund."

Debt Service Fund

Pursuant to the Bond Resolution, the County will establish and maintain the "Cajon Valley Union School District 2022 General Obligation Refunding Bonds Debt Service Fund," (the "**Debt Service Fund**") which is pledged for the payment of the principal of and, and interest on the Bonds when and as the same become due. All taxes levied by the County for the payment of the principal of and, interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon apportionment of said levy.

Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid, shall be transferred to any other interest and sinking fund or account for general obligation bond indebtedness of the District, including refunding bonds, and in the event there is no such debt outstanding, shall be transferred to the District's general fund upon the order of the county auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Bonds

All moneys held in any of the funds or accounts established with the County under the Bond Resolution will be invested in Authorized Investments (as defined in the Bond Resolution) in accordance with the investment policies of the County, as such policies exist at the time of investment. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Bond Resolution will be deposited in the fund or account from which such investment was made, and will be expended for the purposes thereof.

In accordance with Government Code Section 53600 *et seq*., the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, the County is required to establish its own investment policies which may impose limitations beyond those required by the Government Code. See APPENDIX G.

DEBT SERVICE SCHEDULES

The Bonds. The following table shows the debt service schedule with respect to the Bonds.

CAJON VALLEY UNION SCHOOL DISTRICT
Annual Debt Service Schedule
2022 General Obligation Refunding Bonds

Date (August 1)	Principal	Interest	Total
2023	$1,065,000.00	$1,081,956.94	$2,146,956.94
2024	350,000.00	1,236,500.00	1,586,500.00
2025	550,000.00	1,219,000.00	1,769,000.00
2026	2,870,000.00	1,191,500.00	4,061,500.00
2027	3,210,000.00	1,048,000.00	4,258,000.00
2028	3,570,000.00	887,500.00	4,457,500.00
2029	3,950,000.00	709,000.00	4,659,000.00
2030	4,355,000.00	511,500.00	4,866,500.00
2031	4,785,000.00	293,750.00	5,078,750.00
2032	1,090,000.00	54,500.00	1,144,500.00
Total	$25,795,000.00	$8,233,206.94	$34,028,206.94

General Obligation Bond Combined Debt Service. The following table shows the combined debt service schedule with respect to all outstanding general obligation bonds of the District, together with the Bonds. See APPENDIX A under the heading "FINANCIAL INFORMATION – Existing Debt Obligations" for additional information.

CAJON VALLEY UNION SCHOOL DISTRICT
General Obligation Bonds
Combined Debt Service Schedule

Year Ending Aug. 1	Election of 2008 Bonds (1)	Election of 2012 Bonds	2012 Refunding Bonds	2014 Refunding Bonds	2016 Refunding Bonds	2016 Series B Bonds	2020 Refunding Bonds	The Bonds	Total
2023	$1,562,350.00	$4,625,162.54	$44,725.00	$1,793,700.00	$2,484,850.00	$2,572,500.00	$1,639,000.00	$2,146,956.94	$16,869,244.48
2024	1,559,840.01	4,829,662.54	764,725.00	1,788,200.00	2,496,850.00	--	1,630,750.00	1,586,500.00	14,656,527.55
2025	1,559,839.99	4,924,912.54	763,125.00	1,790,450.00	2,493,850.00	--	1,630,250.00	1,769,000.00	14,931,427.53
2026	--	5,025,662.54	--	1,794,950.00	2,506,350.00	--	1,632,000.00	4,061,500.00	15,020,462.54
2027	--	5,231,162.54	--	1,791,450.00	2,513,350.00	--	1,615,750.00	4,258,000.00	15,409,712.54
2028	--	5,441,112.54	--	1,800,200.00	2,511,550.00	--	1,612,250.00	4,457,500.00	15,822,612.54
2029	--	5,655,762.54	--	1,790,450.00	1,331,350.00	--	1,610,750.00	4,659,000.00	15,047,312.54
2030	--	5,651,012.54	--	1,787,950.00	1,339,750.00	--	1,611,000.00	4,866,500.00	15,256,212.54
2031	--	6,061,212.54	--	1,782,200.00	70,950.00	--	1,527,750.00	5,078,750.00	14,520,862.54
2032	--	6,200,250.04	--	1,783,200.00	2,435,950.00	--	--	1,144,500.00	11,563,900.04
2033	--	6,356,787.54	--	1,781,000.00	--	--	--	--	8,137,787.54
2034	--	6,754,325.04	--	1,781,400.00	--	--	--	--	8,535,725.04
2035	--	6,899,300.04	--	889,200.00	--	--	--	--	7,788,500.04
2036	--	7,197,943.78	--	--	--	--	--	--	7,197,943.78
2037	--	7,344,593.78	--	--	--	--	--	--	7,344,593.78
2038	--	7,085,943.78	--	--	--	--	--	--	7,085,943.78
2039	--	5,241,687.52	--	--	--	--	--	--	5,241,687.52
2040	--	5,407,581.26	--	--	--	--	--	--	5,407,581.26
Total	$4,682,030.00	$105,934,075.64	$1,572,575.00	$22,354,350.00	$20,184,800.00	$2,572,500.00	$14,509,500.00	$34,028,206.94	$205,838,037.58

(1) The 2008 Series B Bonds were purchased from proceeds of the California Qualified School Bond Joint Powers Authority 2011 General Obligation Revenue Bonds – Taxable Direct Pay (Cajon Valley Union School District Qualified School Construction Bonds) (the "QSCBs") issued in the original principal amount of $18,000,000. The QSCBs are structured as a single term bond maturing August 1, 2025, and are eligible for an interest subsidy of 5.02% from the United States Treasury. The 2008 Series B Bonds are secured by *ad valorem* taxes and were structured to provide sufficient revenues, together with the QSCB subsidy payments, to pay the principal and interest when due on the QSCBs. The debt service shown in this table includes all principal and interest amounts due on the 2008 Series B Bonds. Although the QSCBs are eligible for an interest subsidy equal to 100% of the interest due on the QSCBs, such amounts have been subject to sequestration. See "SECURITY FOR THE BONDS – Ad Valorem Taxes – 2008 Authorization General Obligation Bonds."

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding which will be payable on a parity basis with the Bonds. See "DEBT SERVICE SCHEDULES" and APPENDIX A under the heading "DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations."

Other Debt Payable from Ad Valorem Property Taxes. In addition to the Bonds and the District's other outstanding general obligation bonds, there is other debt issued by entities within the jurisdiction of the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "– Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the Bonds. Such taxes, when collected, will be deposited into the Debt Service Fund for the Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Statutory Lien on Ad Valorem Tax Revenues. In accordance with Section 53515 of the California Government Code, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* tax imposed to service the Bonds. This lien automatically arises without the need for any action or authorization by the District or the Board. The revenues received pursuant to the levy and collection of the *ad valorem* tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Natural Disasters. Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Factors Relating to Increases/Decreases in Assessed Value."

Debt Service Fund

As described herein under the heading "APPLICATION OF PROCEEDS OF THE BONDS - Debt Service Fund," the County Treasurer will establish a Debt Service Fund for the Bonds. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the respective debt service fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

Not a County Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt or obligation of the County.

COVID-19 Global Pandemic

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (**"COVID-19"**), which was first detected in 2020 and spread throughout the world, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). Since its emergence, tremendous volatility in the financial markets occurred, and nations have taken actions to curb the spread including stay at home orders and other actions which have unknown long-term impacts including on worldwide and local economies. As of this date, several vaccines have been provided approval by federal health authorities and are widely available.

Federal Responses. To address the challenges that have arisen due to the COVID-19 pandemic, the federal government adopted several aid packages including:

> <u>Coronavirus Preparedness and Response Supplemental Appropriations Act (March 6, 2020)</u>: A $8.3 billion emergency supplemental appropriations package to enhance the national response to COVID-19, including public health funds for preparedness and response and for research.
>
> <u>Families First Coronavirus Response Act (March 18, 2020)</u>: A federal relief package ($100 billion) responding to the COVID-19 outbreak by providing paid sick leave, tax credits, and free COVID-19 testing, expanding food assistance and unemployment benefits, and increasing Medicaid funding.
>
> <u>CARES Act (March 27, 2020)</u>: The Coronavirus Aid, Relief, and Economic Security Act (the **"CARES Act"**) provided $2 trillion in federal spending and loans toward coronavirus relief efforts, representing the largest rescue package in U.S. history. Along with funding a wide range of emergency appropriations, the legislation also allocated hundreds of billions in loans and grants to major industries and small businesses, direct cash payments to taxpayers and significantly expanded unemployment benefits. This funding

allocation included approximately $13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 pandemic.

Federal Reserve Programs Implemented (April 9, 2020): The Federal Reserve took actions aimed at providing up to $2.3 trillion in loans to support the national economy, including supplying liquidity to participating financial institutions in the Small Business Administration's (**"SBA"**) Paycheck Protection Program (**"PPP"**), purchasing up to $600 billion in loans through the Main Street Lending Program and offering up to $500 billion in lending to states and municipalities.

Paycheck Protection Program (April 24, 2020): $484 billion federal aid package which primarily renewed funding for the Paycheck Protection Program ("**PPP**"), the SBA disaster assistance loans and grant program, hospital grants and funding for a COVID-19 testing program.

Consolidated Appropriations Act (December 27, 2020): The Coronavirus Response and Consolidated Appropriations Act continued many of the programs implemented with the CARES Act as part of a $900 billion federal relief package. It provided additional direct stimulus payments to individuals and families, extended unemployment benefits, expanded the PPP, and provided approximately $82 billion in supplemental aid to support the educational needs of states, school districts, and institutions of higher education, among other stimulus measures.

American Rescue Plan (March 11, 2021): The American Rescue Plan Act of 2021 (the **"ARP Act"**), a $1.9 trillion economic stimulus plan, provided additional stimulus checks to individuals and families, extended federal supplemental unemployment benefits, providing more funding for state and local governments, expanded subsidies for healthcare insurance, and provided additional funding for COVID-19 testing, vaccination, and treatment, among several other provisions. With respect to relief for educational agencies, it included grants of $125.8 billion for states to support statewide and local funding for elementary and secondary schools and public postsecondary institutions. It provides that states that receive the grants cannot reduce their spending levels on education as a proportion of their budgets during fiscal years 2022 or 2023, compared with the average level from fiscal years 2017 through 2019.

State Responses to COVID-19 Pandemic. At the State level, to address some of the challenges that have arisen due to the COVID-19 pandemic, legislative actions include:

$1.1 Billion in Emergency Coronavirus funding (March 16, 2020): The State legislature passed $1.1 billion in general purpose spending authority providing emergency funds to respond to the pandemic.

$7.6 Billion Coronavirus Relief Package (February 23, 2021): The Governor signed legislation providing $7.6 billion in State funding aimed at helping individuals and businesses that were not included in federal aid packages, which included sending rebates to low-income, disabled and undocumented persons when 2020 taxes were filed, $2 billion in grants for small business, $35 million for food and diaper banks and $400 million in subsidies for childcare providers.

California School Districts and the COVID-19 Pandemic. Impacts on school districts from the COVID-19 pandemic include:

Remote Learning; Attendance and Enrollment. In-person classroom instruction throughout State schools was generally suspended from March 2020 through the end of the 2019-20 academic year. The 2020-21 academic year included significant amounts of distance learning as opposed to in-person instruction due to State and local restrictions and recommendations. The 2021-22 academic year generally commenced with in-person learning with an independent study option. Impacts of remote learning included difficulty in tracking and maintaining average daily attendance figures. Several school districts also experienced unplanned declines in enrollment, due to home schooling and families moving out of the State, among other reasons.

Senate Bill 117 (March 17, 2020): Legislation which effectively held school districts harmless from funding losses that could result from attendance issues under the State's education funding formula. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally."

Safe Schools for All Plan (December 30, 2020): The Governor announced a plan aimed at incentivizing schools to offer in-person learning, also implemented with Senate and Assembly Bill 86. The plan provided schools with financial incentives totaling $2 billion to offer in-person instruction beginning April 1, 2021, and after May 15, 2021, eligibility ceased. Funds obtained were primarily to be spent on purposes consistent with providing in-person instruction, including COVID-19 testing, cleaning, personal protective equipment, facility needs, staffing costs, and social and mental health supports provided in conjunction with in-person instruction. Districts were required to continue to offer distance learning options.

State's Fiscal Years 2021-22 and 2022-23 Budgets and Related Legislation: The two most recent State budgets have provided historic levels of funding for educational purposes. Funding is aimed at the expansion of transitional kindergarten, funding of community wellness and student health hubs on campuses, expanded learning programs and increased special education funding, and minimizing the impacts that reductions in average daily attendance resulting from the COVID-19 pandemic might have on a school district's funding entitlement.

For more information on the District's response to the COVID-19 pandemic, see Appendix A under the heading "GENERAL DISTRICT INFORMATION - District's Response to COVID-19 Pandemic."

Disclaimer Regarding COVID-19 Pandemic. Notwithstanding that several vaccines have been developed for COVID-19 and are generally widely available, 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.

General Obligation Bonds Secured by* Ad Valorem *Property Tax Revenues. Notwithstanding the foregoing information regarding the COVID-19 pandemic, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, levied in the District. The Bonds are not payable from the general fund of the District. The District cannot predict the direct or indirect impacts that the COVID-19 pandemic might have on local property values or tax collections. See "SECURITY FOR THE BONDS – *Ad Valorem* Taxes" and "PROPERTY TAXATION – Tax Levies and Delinquencies and Property Tax Collection Procedures" herein.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the respective county.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the County based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

The assessed valuation of property in the District is established by the assessor of the County, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Assessed Valuation History. The table below shows a recent history of the District's assessed valuation.

CAJON VALLEY UNION SCHOOL DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Years 2007-08 to 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2007-08	$13,074,873,574	$569,468	$468,608,636	$13,544,051,678	--%
2008-09	13,349,676,754	1,053,529	471,518,254	13,822,248,537	2.1
2009-10	12,623,621,030	1,053,529	471,578,851	13,096,253,410	(5.3)
2010-11	12,394,619,802	1,053,529	445,506,042	12,841,179,373	(1.9)
2011-12	12,451,609,066	1,053,529	455,466,475	12,908,129,070	0.5
2012-13	12,616,651,442	1,053,529	404,206,372	13,021,911,343	0.9
2013-14	12,966,223,936	1,187,628	396,367,159	13,363,778,723	2.6
2014-15	13,529,169,662	1,299,736	398,074,653	13,928,544,051	4.2
2015-16	14,220,995,680	1,299,736	421,962,989	14,644,258,405	5.1
2016-17	14,925,506,099	1,012,977	445,126,850	15,371,645,926	5.0
2017-18	15,877,851,447	1,299,736	439,746,102	16,318,897,285	6.2
2018-19	16,724,546,449	8,800	473,116,121	17,197,671,370	5.4
2019-20	17,543,150,579	8,800	487,810,004	18,030,969,383	4.8
2020-21	18,416,011,904	8,800	505,001,264	18,921,021,968	4.9
2021-22	19,179,342,198	8,800	429,813,816	19,609,164,814	3.6
2022-23	20,674,326,402	0	499,024,956	21,173,351,358	8.0

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation 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, and natural disasters such as earthquakes, fires, floods and droughts.

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation in late 2016 and early 2017 which resulted in related severe flooding and mudslides in certain regions. As of September 6, 2022, the U.S. Drought Monitor indicates that the State is classified as experiencing severe, extreme and exceptional drought conditions, with the most of the County in the moderate drought category and parts of the County in the severe drought category. During 2021, Governor Newsom proclaimed a drought state of emergency for all counties in the State, culminating with his October 19, 2021, proclamation, urging Californians to step up their water conservation efforts. In January 2022, the State Water Board adopted emergency regulations aimed at saving water and raising drought awareness, with prohibitions focused on reducing outdoor water use, enforceable by local agencies and the State Water Board, generally with warning letters, mandatory water use audits, and fines. Local agencies can impose and enforce their own drought conservation rules. There can be no guarantee that the State will not implement additional strategies to alleviate problems that arise during a period of drought.

The District cannot predict or make any representations regarding the effects that natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State. See also "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

Property Tax Base Transfer Ballot Measure. On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment ("**Proposition 19**"), which will: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Assessed Valuation by Jurisdiction. The following table shows the assessed valuation by jurisdiction in the District.

CAJON VALLEY UNION SCHOOL DISTRICT
2022-23 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of El Cajon	$10,020,823,143	47.33%	$11,832,017,255	84.69%
Unincorporated San Diego Co.	11,152,528,215	52.67	$92,005,581,924	12.12%
Total District	$21,173,351,358	100.00%		
San Diego County	$21,173,351,358	100.00%	$656,916,230,988	3.22%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2022-23.

CAJON VALLEY UNION SCHOOL DISTRICT
2022-23 Assessed Valuation and Parcels by Land Use

Non-Residential:	2022-23 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$ 47,246,654	0.23%	128	0.32%
Commercial/Office Buildings	2,489,631,336	12.04	1,211	2.98
Vacant Commercial	64,609,339	0.31	119	0.29
Industrial	938,273,636	4.54	463	1.14
Vacant Industrial	19,934,247	0.10	41	0.10
Recreational	82,602,749	0.40	295	0.73
Government/Social/Institutional	34,660,242	0.17	639	1.57
Subtotal Non-Residential	$3,676,958,203	17.79%	2,896	7.14%
Residential:				
Single Family Residence	$11,811,592,419	57.13%	24,825	61.17%
Condominium/Townhouse	1,771,418,178	8.57	6,760	16.66
Mobile Home	269,079,358	1.30	3,089	7.61
Mobile Home Park	247,110,930	1.20	89	0.22
2-4 Residential Units	569,266,415	2.75	1,179	2.91
5+ Residential Units/Apartments	2,210,570,409	10.69	479	1.18
Miscellaneous Residential Improvements	11,944,925	0.06	387	0.95
Vacant Residential	106,385,565	0.51	879	2.17
Subtotal Residential	$16,997,368,199	82.21%	37,687	92.86%
Total	$20,674,326,402	100.00%	40,583	100.00%

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

Assessed Valuation of Single-Family Residential Parcels. The table below shows the breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2022-23, including the median and average assessed value per parcel.

CAJON VALLEY UNION SCHOOL DISTRICT
Per Parcel 2022-23 Assessed Valuation of Single Family Homes

	No. of Parcels	2022-23 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	24,825	$11,811,592,419	$475,794	$446,011

2022-23 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	89	0.359%	0.359%	$ 3,240,290	0.027%	0.027%
$50,000 - $99,999	1,325	5.337	5.696	98,743,422	0.836	0.863
$100,000 - $149,999	1,001	4.032	9.728	127,284,998	1.078	1.941
$150,000 - $199,999	1,224	4.931	14.659	214,399,869	1.815	3.756
$200,000 - $249,999	1,645	6.626	21.285	371,753,348	3.147	6.904
$250,000 - $299,999	1,837	7.400	28.685	506,100,039	4.285	11.188
$300,000 - $349,999	1,817	7.319	36.004	590,139,935	4.996	16.185
$350,000 - $399,999	1,747	7.037	43.041	654,118,552	5.538	21.723
$400,000 - $449,999	1,859	7.488	50.530	789,979,518	6.688	28.411
$450,000 - $499,999	1,942	7.823	58.352	922,754,048	7.812	36.223
$500,000 - $549,999	1,828	7.364	65.716	959,829,887	8.126	44.349
$550,000 - $599,999	1,641	6.610	72.326	940,191,225	7.960	52.309
$600,000 - $649,999	1,324	5.333	77.660	826,498,078	6.997	59.306
$650,000 - $699,999	1,206	4.858	82.518	812,297,019	6.877	66.184
$700,000 - $749,999	912	3.674	86.191	658,925,413	5.579	71.762
$750,000 - $799,999	720	2.900	89.092	556,870,442	4.715	76.477
$800,000 - $849,999	630	2.538	91.629	518,456,564	4.389	80.866
$850,000 - $899,999	443	1.784	93.414	386,386,643	3.271	84.137
$900,000 - $949,999	327	1.317	94.731	301,936,339	2.556	86.694
$950,000 - $999,999	254	1.023	95.754	247,725,364	2.097	88.791
$1,000,000 and greater	1,054	4.246	100.000	1,323,961,426	11.209	100.000
	24,825	100.000%		$11,811,592,419	100.000%	

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

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in APPENDIX A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a representative tax rate area (TRA 3-001) during fiscal years 2018-19 through 2022-23.

CAJON VALLEY UNION SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
(TRA 3-001) (1)
Fiscal Years 2018-19 through 2022-23

	2018-19	2019-20	2020-21	2021-22	2022-23
General Tax Rate	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
Cajon Valley Union School District	.08477	.07882	.07637	.07310	.07047
Grossmont Union High School District	.06482	.06704	.06326	.06448	.06180
Grossmont-Cuyamaca CCD	.04225	.04038	.03797	.04115	.03936
Grossmont Healthcare District	.02352	.02490	.02490	.02459	.02459
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total All Property Tax Rate	$1.21886	$1.21464	$1.20600	$1.20682	$1.19972

(1) 2022-23 assessed valuation for TRA 3-001 is $1,974,334,389 which is 9.32% of the district's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes the District's general obligation bond levies in its Teeter Plan.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes on the secured roll will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2022-23. The District cannot determine from County assessment records 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. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

CAJON VALLEY UNION SCHOOL DISTRICT
Largest 2022-23 Local Secured Taxpayers

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	% of Total (1)
1.	Star-West Parkway Mall LP	Shopping Center	$ 233,951,174	1.13%
2.	Rancho Investors LP	Apartments	175,359,593	0.85
3.	MF Panda NR Owner (CA) LP	Apartments	116,777,512	0.56
4.	GKN Aerospace Chem-Tronics Inc.	Industrial	94,772,880	0.46
5.	B9 MF 1250 Petree St LLC	Apartments	89,320,219	0.43
6.	Bridge WF II CA Parkway Club LLC	Apartments	86,650,000	0.42
7.	SP Lavida Real LLC	Assisted Living Facility	72,994,524	0.35
8.	Lysinger 1999 Trust	Apartments	49,238,249	0.24
9.	Broadway 1 Preservation LP	Apartments	44,206,829	0.21
10.	Vestar California XVII LLC	Commercial	43,301,718	0.21
11.	Kaiser Foundation Health Plan Inc.	Medical Buildings	42,144,002	0.20
12.	1041-89 Lexington (CA) LP	Apartments	40,275,577	0.19
13.	FW CA Rancho San Diego Village LLC	Shopping Center	39,431,959	0.19
14.	Dayton Hudson Corp.	Commercial	37,451,859	0.18
15.	Terraza TIC I LLC	Apartments	36,418,415	0.18
16.	989 Peach (CA) LP	Apartments	35,115,384	0.17
17.	Harsch Investment Properties LLC	Industrial	33,340,069	0.16
18.	Carefree Communities CA LLC	Mobile Home Park	32,757,067	0.16
19.	346 Jamacha (CA) LP	Apartments	32,428,134	0.16
20.	Seritage SRC Finance LLC	Shopping Center	30,715,891	0.15
			$1,366,651,055	6.61%

(1) 2022-23 local secured assessed Valuation: $20,674,326,402.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of September 1, 2022. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. 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.

CAJON VALLEY UNION SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of September 1, 2022)

2022-23 Assessed Valuation: $21,173,351,358

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 9/1/22**	
Metropolitan Water District	0.583%	$ 117,620	
Grossmont-Cuyamaca Community College District	33.077	120,246,597	
Grossmont Union High School District	33.969	203,162,472	
Cajon Valley Union School District	**100.000**	**150,962,266**	(1)
Grossmont Healthcare District	31.171	73,872,800	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$548,361,755	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	3.223%	$ 7,907,308	
San Diego County Pension Obligation Bonds	3.223	8,959,618	
San Diego County Superintendent of Schools Obligations	3.223	250,749	
Grossmont Union High School District General Fund Obligations	33.969	10,790,253	
Cajon Valley Union School District General Fund Obligations	**100.000**	**14,382,000**	
City of El Cajon Pension Obligation Bonds	84.692	120,537,889	
Lakeside Fire District Certificates of Participation and Pension Obligation Bonds	34.319	11,818,091	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$174,645,908	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$48,735,215	
COMBINED TOTAL DEBT		$771,742,878	(2)

Ratios to 2022-23 Assessed Valuation:
Direct Debt ($150,962,266) 0.71%
Total Direct and Overlapping Tax and Assessment Debt 2.59%
Combined Direct Debt ($165,344,266) 0.78%
Combined Total Debt 3.64%

Ratio to Redevelopment Incremental Valuation ($2,671,478,982):
Total Overlapping Tax Increment Debt 1.82%

(1) Includes the Refunded Bonds, and excludes the Bonds offered for sale hereunder.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. For tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax.

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") 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 covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public 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 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 are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and 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 Bond 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, redemption, 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 alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 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 the 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.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. 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, 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. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D

CERTAIN LEGAL MATTERS

Legality for Investment

Under 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 to secure deposits of public moneys in California.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive ad valorem taxes or to collect other revenues or (iii) contests the District's ability to issue and sell the Bonds.

The District is routinely 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. The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District, including as a result of the COVID-19 pandemic. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. The District cannot predict what types of claims may arise in the future. See APPENDIX A under the heading “GENERAL DISTRICT INFORMATION – Administration – Board Lawsuit” for information regarding a recent lawsuit.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Dale Scott & Company, Inc., as financial advisor to the District, and Kutak Rock LLP, as counsel to the Underwriter, is contingent upon issuance of the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay upon prior redemption, principal, interest and redemption premium requirements of the Refunded Bonds described under the heading “THE REFINANCING PLAN” and (b) the “yields” on the amount of proceeds held and invested prior to redemption of the Refunded Bonds and on the Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as APPENDIX E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2023 with the report for the 2021-22 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in APPENDIX E. These covenants have been made in order to assist the Underwriter with complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the **"Rule"**).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the District's outstanding debt. See information in APPENDIX A under the heading "DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations." In the previous five years, the District failed to properly link certain notices relating to the redemption of prior bonds, as required by its existing undertakings.

In order to ensure compliance with the undertaking to be entered into in connection with the Bonds, the District has engaged Dale Scott & Company, Inc., to serve as its dissemination agent.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business (**"S&P"**) has assigned its rating of "AA-" to the Bonds. Such rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Barclays Capital Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $29,088,710.41 (representing the principal amount of the Bonds, plus net original issue premium of $3,349,454.75, and less Underwriter's discount of $55,744.34).

The bond purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

EXECUTION

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.

The execution and delivery of this Official Statement have been duly authorized by the District.

CAJON VALLEY UNION SCHOOL DISTRICT

By: /s/ *David Miyashiro*
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE CAJON VALLEY UNION SCHOOL DISTRICT

GENERAL DISTRICT INFORMATION

The information in this and other sections concerning the District's operations and operating budget 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. The Bonds are payable from the proceeds of an ad valorem *tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the Official Statement.*

General Information

The District, originally formed in 1870, is located in the El Cajon Valley, northeast of the City of San Diego in San Diego County (the "**County**") and about 20 miles from the Pacific coast. The District encompasses approximately 66.3 square miles serving approximately 14,748 students in fiscal year 2022-23. The District currently operates 19 elementary schools, six middle schools, three special program schools, and 12 state preschool centers.

For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the City of El Cajon and the County.

Administration

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

GOVERNING BOARD
Cajon Valley Union School District

Name	Position	Term Expires
Tamara Otero	President	December 2022
James P. Miller	Vice President	December 2024
Karen Clark-Mejia	Clerk	December 2024
Jo Alegria	Member	December 2022
Jill Barto	Member	December 2022

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Dr. David Miyashiro, is the District Superintendent and Scott Buxbaum is the Assistant Superintendent, Business Services.

Board Lawsuit. In December of 2019, Trustee Jill Barto brought a lawsuit in United States District Court against the Superintendent and the other four board members alleging that she was treated unfairly after questioning District spending and contracts. In a ruling filed October 8, 2022, the lawsuit was dismissed, and the judge stated that Trustee Barto failed to provide evidence. Trustee Barto's attorney has said that he plans to appeal the judge's decision. The District can make no guarantees regarding the outcome of this or any other litigation.

Employee Relations

The District has 966 certificated, 905 classified, and 111 management full-time equivalent positions. Two unions represent District employees. The following table identifies the number of employees covered and the current status of the contracts with the bargaining units.

BARGAINING UNITS
Cajon Valley Union School District

Bargaining Unit	Type of Employees Covered	Current Contract Expiration Date*
Cajon Valley Educators Association	Certificated	June 30, 2022
California School Employees Association	Classified	June 30, 2022

* Employees continue to operate under expired contracts during negotiations.
Source: Cajon Valley Union School District.

Recent Enrollment Trends

The following table shows recent enrollment history for the District with projections for fiscal year 2022-23.

ANNUAL ENROLLMENT
Fiscal Years 2014-15 through 2022-23
Cajon Valley Union School District

School Year	Enrollment	% Change
2014-15	15,917	--%
2015-16	15,938	0.1
2016-17	16,192	1.6
2017-18	16,581	2.4
2018-19	16,666	0.5
2019-20	16,419	(1.5)
2020-21	15,776	(3.9)
2021-22	14,799	(6.2)
2022-23(1)	14,748	(0.3)

(1) Projected.
Source: California Department of Education; Cajon Valley Union School District.

District's Response to COVID-19 Emergency

The District has received or is expecting to receive approximately $111.1 million in relief funds to address costs which may have resulted from the COVID-19 emergency. However, the District can make no representation as to the timing of receipt of such funds. Because the District is funded pursuant to the State's Local Control Funding Formula (the **"LCFF"**), the District's main operating revenues will be impacted by the State's financial position in the current and future fiscal years.

The District has incurred costs that were not anticipated as a result of COVID-19, such as the costs of mitigation measures and of implementing distance learning. However, funding under the CARES Act and other cost-saving impacts of not operating site-based learning, such as reductions in transportation costs, fuel and electricity costs, provided offsets to those expenses. With respect to pension costs, the District cannot currently predict if the COVID-19 emergency will have a material impact on its required employer contributions which could arise if the unfunded actuarial in fiscal year 2020-21 accrued liabilities of PERS and STRS materially increase. The District maintains reserves for economic uncertainties, which exceed the State' required minimum reserve. See "DISTRICT FINANCIAL INFORMATION – District Budget and Interim Financial Reporting - District Reserves."

The impacts of the COVID-19 emergency on global, State-wide and local economies, which could impact District operations and finances, and local property values are unknown and cannot be predicted by the District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California (the "**State**") receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues that exceeded their revenue limit entitlements were deemed a "Basic Aid District" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded their revenue limit funding entitlement.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, 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 grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 65% (which was increased from 50% as part of the State's trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. The legislation implementing LCFF also included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its fiscal year 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

Funding levels used in the LCFF entitlement calculations for fiscal year 2022-23 are set forth in the following table.

Fiscal Year 2022-23 Base Grant Funding* Under LCFF by Grade Span

Entitlement Factor	K-3	4-6	7-8	9-12
A. 2021-22 Base Grant per ADA	$8,093	$8,215	$8,458	$9,802
B. Base Grant Adjustment (A x 6.28%)	$508	$516	$531	$616
C. 2022-23 COLA for LCFF (A x 6.56%)	$532	$539	$555	$643
D. 2022-23 Base Grant per ADA before Grade Span Adjustments (A+B+C)	$9,132	$9,270	$9,544	$11,061
E. Grade Span Adjustments (K-3: D x 10.4%; 9-12: D x 2.6%)	$950	Not applicable	Not applicable	$288
F. 2022-23 Base Grant/Adjusted Base Grant per ADA (D + E)	$10,082	$9,270	$9,544	$11,349

*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%, (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion of Unduplicated Pupil Percentage that exceeds 55%, times 65%, and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of $2,813 times the school district's current year TK ADA.
Source: California Department of Education.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system. When a school district's share of local property taxes exceeds its funding entitlement under LCFF, it is deemed a Basic Aid District and is entitled to keep its local property taxes in lieu of lower funding per ADA available under LCFF. The District is not a Basic Aid District.

District 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 funds, with each group consisting of a separate accounting entity. 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. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**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.

Financial Statements

General. 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 such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2021 Audited Financial Statements were prepared by Christy White, Inc., San Diego, California and are attached hereto as APPENDIX B. Audited financial statements are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services, Cajon Valley Union School District, 750 East Main Street, El Cajon, California 92020, Telephone: (619) 588-3000. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

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General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for fiscal years 2016-17 through 2020-21.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2016-17 through 2020-21 (Audited)
Cajon Valley Union School District

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
REVENUES					
LCFF	$141,379,824	$146,889,324	$157,157,815	$162,026,090	$158,530,186
Federal	11,166,767	9,120,982	15,341,657	13,906,317	41,592,211
Other State	14,968,733	15,868,582	24,736,646	19,610,632	23,249,603
Other Local	15,706,075	17,313,340	19,453,964	19,989,982	21,505,468
Total Revenues	183,221,399	189,192,228	216,690,082	215,533,021	244,877,468
EXPENDITURES					
Instruction	112,466,005	118,993,708	135,343,564	133,359,214	140,668,932
Instruction-related services	18,595,419	19,344,818	22,771,155	24,256,787	25,280,750
Pupil services	14,590,373	16,107,675	18,502,315	20,259,519	20,010,960
Community services	230,659	202,524	172,053	111,662	19,089
General administration	10,231,255	12,100,828	13,725,850	14,272,987	19,443,995
Plant services	12,327,469	12,668,005	13,126,339	12,949,114	14,605,523
Facilities acquisition and maintenance	--	--	--	2,648,360	2,286,145
Transfers to other agencies	--	--	--	1,045,482	1,299,879
Other outgo	531,603	996,935	945,132	--	--
Capital Outlay	4,211,039	3,218,503	2,342,517	--	--
Principal on long-term debt	379,268	191,407	--	--	584,871
Interest on long-term debt	5,927	1,192	--	--	41,077
Total Expenditures	173,569,017	183,825,595	206,928,925	208,903,125	224,241,221
Revenues Over (Under) Expends	9,652,382	5,366,633	9,761,157	6,629,896	20,636,247
OTHER FINANCING SOURCES					
Operating Transfers In	437,693	775,429	513,118	19,338	5,768
Operating Transfers Out	(6,765,019)	(5,530,712)	(5,616,992)	(3,237,641)	(2,041,907)
Other sources	--	--	--	--	--
Net Financing Sources (Uses)	(6,327,326)	(4,755,283)	(5,103,874)	(3,218,303)	(2,036,139)
Net Change in Fund Balance	3,325,056	611,350	4,657,283	3,411,593	18,600,108
Fund Balance, July 1	41,687,372	45,012,429	45,623,779	50,281,062	53,692,655
Fund Balance, June 30	$45,012,428	$45,623,779	$50,281,062	$53,692,655	$72,292,763

Source: District Audited Financial Reports.

District Budget and Interim Financial Reporting

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

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

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

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

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports, except for the 2020-21 first interim report, which received a qualified certification. Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Cajon Valley Union School District, 750 East Main Street, El Cajon, California 92020, Telephone: (619) 588-3000. The District may impose charges for copying, mailing and handling.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2021-22 (estimated actuals) and fiscal year 2022-23 (adopted budget).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE[1]
Fiscal Year 2021-22 (Estimated Actuals)
Fiscal Year 2022-23 (Adopted Budget)
Cajon Valley Union School District

Revenues	**Estimated Actuals 2021-22**	**Adopted Budget 2022-23**
LCFF Sources	$171,384,234	$179,565,561
Federal revenues	38,898,371	36,202,437
Other state revenues	32,345,987	39,102,566
Other local revenues	26,228,359	23,768,616
Total Revenues	268,856,951	278,639,180
Expenditures		
Certificated salaries	95,742,497	97,944,825
Classified salaries	45,689,098	48,043,550
Employee benefits	63,931,547	70,101,383
Books and supplies	19,924,791	16,607,090
Contract services & operating exp.	34,718,233	28,890,176
Capital outlay	8,117,251	5,068,968
Other outgo (excluding indirect costs)	1,486,133	1,450,328
Other outgo – transfers of indirect costs	(484,927)	(554,572)
Total expenditures	269,124,624	267,551,747
Excess of revenues over/(under) expenditures	(267,673)	11,087,433
Other financing sources (Uses)		
Operating transfers in	8,500	8,500
Operating transfers out	(1,113,656)	(1,113,656)
Total other financing sources (uses)	(1,105,156)	(1,105,156)
Net change in fund balance	(1,372,829)	9,982,277
Fund balance, July 1 [2]	65,030,096	63,657,277
Fund balance, June 30	$63,657,277	$73,639,544

(1) Totals may not add due to rounding.
(2) Difference in fund balances reflect revised projections from time of budget adoption.
Source: Cajon Valley Union School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State's minimum requirements.

Under State law, there are certain restrictions on the amounts that can be held in reserve by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the

State's Public School System Stabilization Account and is triggered in any fiscal in which when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period, if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multi-year infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap has been triggered for fiscal year 2022-23 and, as such, the cap must be taken into account in the budget process for school districts to which it applies, or an exemption must be sought. The District has taken into account the reserve cap as part of its budgeting process for fiscal year 2022-23.

Attendance - Revenue Limit and LCFF Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (**"ADA"**). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth LCFF funding for the District for fiscal years 2016-17 through 2022-23 (Projected).

AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF
Fiscal Years 2016-17 and 2022-23
Cajon Valley Union School District

Fiscal Year	ADA	LCFF Entitlement Per ADA
2016-17	15,409	$9,175
2017-18	15,670	9,374
2018-19	15,888	9,892
2019-20	15,919	10,178
2020-21	15,668	10,118
2021-22(1)	14,754	11,616
2022-23(1)	14,039	12,790

(1) Estimated Actual/Budgeted.
Source: Cajon Valley Union School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 71% for purposes of calculating supplemental and concentration grant funding under LCFF.

Possible Impacts of Coronavirus. As described herein, the short-term and long-term impact of COVID-19 on the District's attendance, revenues and local property values cannot be predicted. The Bonds described in this Official Statement are secured by *ad valorem* property taxes, and not the District's general fund. See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "-State Funding of Education."

Other Local Revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

District Retirement Programs

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS 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 to be construed as a representation by either the District or the Underwriter.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. The plan is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. The benefit provisions and contribution amounts are established by State laws, as amended from time to time.

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013, however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

Assembly Bill 1469 was adopted as part of the State's fiscal year 2014-15 budget (**"AB 1469"**), aimed at fully funding the unfunded actuarial obligation of STRS with respect to service credited to member of STRS prior to July 1, 2014 (the **"2014 Liability"**), within 32 years, by increasing contribution rates of members, K-14 school district employers, and the State. Under AB 1469, employer contributions were steadily increased over seven years, pursuant to the following schedule:

STRS EMPLOYER CONTRIBUTION RATES
PURSUANT TO AB 1469

Effective Date	Employer Contribution Rate
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.45
July 1, 2018	16.28
July 1, 2019	18.13**
July 1, 2020*	19.10**

*Rate to continue in subsequent years unless modified by the STRS Board.
**Subsequently reduced in connection with State budget acts and related legislation. See following paragraph.
Source: AB 1469.

Under AB 1469, the rate of 19.10% in effect as of July 1, 2020 was to continue unless modified by the STRS Board. However, the State legislature subsequently modified employer contribution rates in certain years as part of trailer bills adopted in connection with State budgets. Senate Bill 90 (**"SB 90")** was enacted in connection with the fiscal year 2019-20 State budget, appropriating $2.25 billion to pay in advance part of the employer contributions for fiscal years 2019-20 and 2020-21. The effect was that the employer contribution rate effective July 1, 2019 was 17.10% and effective July 1, 2020 was18.4%. However, in part in response to expected financial strain caused by the COVID-19 pandemic, the State's 2020-21 budget redirected additional funds to reducing employer contribution rates, resulting in a rate of 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22.

The employer contribution rate will be 19.10% in fiscal year 2022-23 pursuant to AB 1469. The State also continues to contribute to STRS, and its contribution rate in fiscal year 2022-23 is 8.338%.

The District's recent contributions to STRS including the current budgeted fiscal year are set forth in the following table. These contributions represent 100% of the required contribution for each year.

STRS CONTRIBUTIONS
Cajon Valley Union School District
Fiscal Years 2016-17 through 2022-23

Fiscal Year	Amount
2016-17	$11,791,291
2017-18	15,282,434
2018-19	13,624,955
2019-20	14,805,876
2020-21	14,254,730
2021-22*	25,565,036
2022-23*	28,030,619

*Estimated Actual/Budgeted.
Source: Cajon Valley Union School District.

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately $89.7 billion as of June 30, 2021, which is the date of the last actuarial valuation.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, employers are required to contribute an amount based on an actuarially determined employer rate, and employees make contributions which vary based on their date of hire.

Like the STRS program, PERS has experienced an unfunded liability in recent years. To address this issue, the PERS board has taken a number of actions, including changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates and adopting changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy incrementally lowering its discount rate (its assumed rate of investment return) in years of good investment returns, to help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. SB 90, and Assembly Bill 84/Senate Bill 111 (**"AB 84"**) of June 2020, directed contributions of $430 million and $330 million in satisfaction of portions of employer contribution rates in fiscal years 2020-21 and 2021-22, respectively. Recent employer contribution rates are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2022-23[1]

Fiscal Year	Employer Contribution Rate[1]
2019-20	19.721%
2020-21	20.700
2021-22	22.910
2022-23	25.370

(1) Expressed as a percentage of covered payroll.
Source: PERS

The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS EMPLOYER CONTRIBUTIONS
Cajon Valley Union School District
Fiscal Years 2016-17 through 2022-23

Fiscal Year	Amount
2016-17	$3,175,368
2017-18	4,073,121
2018-19	6,203,812
2019-20	7,479,215
2020-21	8,188,828
2021-22*	10,075,201
2022-23*	12,331,417

*Estimated Actual/Budgeted.
Source: Cajon Valley Union School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately $24.0 billion as of June 30, 2021, which is the date of the last actuarial valuation.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information - STRS and PERS. Additional information regarding the District's retirement programs is available in Note 11 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriters for accuracy or completeness.*

Other Post-Employment Retirement Benefits

Plan Description. The District's defined benefit other post-employment benefit "**OPEB**" plan, CVESD Retiree Health Care Plan (the "**Plan**") provides OPEB for retirees and their eligible dependents that meet eligibility requirements until age 65. Retirees and their eligible dependents in the Plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. As of June 30, 2021, the Plan membership consisted of 174 inactive employees or beneficiaries receiving benefits and 1,536 active employees.

Benefits Provided. The District provides retiree medical (including prescription drug benefits) and dental benefits to eligible retirees and their eligible dependents until the retiree turns age 65. An eligible retiree is only eligible for the level of coverage (retiree only, retiree plus spouse, or retiree plus family) they are receiving at retirement. Retired employees pay the same cost for coverage as an active employee. This cost varies based on the plans and level of coverage enrolled in. Employees in the management, supervisory and classified non-management units who are hired after July 1, 2015, will be eligible for retiree health/dental benefits for the retiring employee only. Family members can be covered by the retiree on a self-pay basis to retiree's age 65.

Classified and Certificated non-management members pay 25% of the Kaiser premium, management members pay 30% of the Kaiser premium, and supervisory members pay approximately 50% of individual Kaiser premiums. If a member chooses UHC, they have to pay 100% of the additional cost in excess of the Kaiser costs except classified who pay 25% if UHC Network 1 is chosen.

The District does not provide any retiree medical or dental benefits beyond age 65 except for certain management employees and supervisors who may continue on the Kaiser Senior Advantage Plan and receive a maximum District contribution equal to $50 per month.

Employees who retired prior to December 1, 2006 are eligible for $1,200 annual amount if they have waived medical benefits. No new retirees may elect this benefit in the future except an active employee who had waived coverage at December 1, 2006 and retires with this same coverage in place.

Eligibility for retiree health coverage requires retirement on or after age 55 with at least 10 years of District service. A surviving spouse can continue coverage upon the death of the retiree until they attain age 65 for the same rate the retiree would pay for single coverage.

Board members are not eligible for retiree health benefits.

As of June 30, 2021, the District contributed $2,085,660 to the Plan, all of which was used for current premiums.

Actuarial Assumptions. The District's total OPEB liability of $52,896,859 was determined by an actuarial valuation as of June 20, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation was 2.75%, salary increases 3.00%, and healthcare cost trend rates 6.00% decreasing to 5.50% in 2023 and 5.00% in 2024. The discount rate of 2.66% is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Index, Bond Buyer 20-Bond GO index, and Fidelity GO AA 20 Year Bond Index. Mortality rates are based on the rates used by the 6/30/2017 PERS pension valuation and the 6/30/2015 STRS pension valuation.

The actual assumptions used in the July 1, 2021, valuation were based on a review of plan experience.

Changes in the Plan Liability of the District. The changes in the Plan liability of the District as of June 30, 2021, is shown in the following table:

CHANGES IN TOTAL PLAN LIABILITY
Cajon Valley Union School District

	Total OPEB Liability
Balance at June 30, 2020	$49,900,221
Service Cost	3,128,235
Interest	1,637,802
Difference between expected and actual experience	(1,626,361)
Changes of assumptions or other inputs	1,942,622
Benefit payments	(2,085,660)
Net changes	2,996,638
Balance at June 30, 2021	$52,896,859

Source: Cajon Valley Union School District Audit Report.

Plan Expense. For the year ended June 30, 2021, the District recognized an OPEB expense of $3,737,392.

For additional information about the District's other post-employments benefits, see Note 10 of the District's audited financial statements for fiscal year ended June 30, 2021, attached to the Official Statement as APPENDIX B.

Insurance-Joint Powers Agreements

The District participates in three joint powers agreement entities, the San Diego County Schools Risk Management, the Protected Insurance Program for Schools and the Southern California Relief Property and Liability Insurance (the "**JPAs**"). The relationship between the District and the JPAs is such that the JPAs are not component units of the District.

The JPAs arrange for and provide school specific insurance and risk management services. The JPAs provide extremely broad coverage which includes property, liability, crime, equipment breakdown and cyber liability coverage for its member districts. The JPAs are governed by a board consisting of a representative from each of its member school districts. The District is an active participant on the boards of the JPAs. Each board controls the operations of the JPA, including 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 contribution commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Disclaimer Regarding Cyber Risks

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of ad valorem property taxes, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

Existing Debt Obligations

General Obligation Bonds. The District has voter-approved general obligation bonds which have been issued pursuant to the authority obtained from voters at elections in past years, which are secured by *ad valorem* property taxes levied and collected in the District. The following table shows the outstanding general obligation bonded debt of the District prior to the issuance of the Bonds.

SUMMARY OF OUTSTANDING GENERAL OBLIGATION BONDS (1)
Cajon Valley Union School District

Dated Date	Series	Amount of Original Issue	Final Maturity Date	Outstanding as of September 1, 2022
05/25/2011	GO Bonds, 2008 Election, Series B	$13,093,060.00	8/01/2025	$4,331,111.46
08/21/2012	GO Bonds, 2008 Election, Series C (2)	19,999,932.35	8/01/2032	17,991,153.70
08/28/2013	GO Bonds, 2012 Election, Series A	31,200,000.00	8/01/2037	22,980,000.00
04/30/2015	GO Bonds, 2012 Election, Series C	20,000,000.00	8/01/2040	17,710,000.00
10/27/2015	GO Bonds, 2012 Election, Series D	17,880,000.00	8/01/2040	17,190,000.00
10/05/2017	GO Bonds, 2012 Election, Series E	17,505,000.00	8/01/2038	15,075,000.00
06/28/2012	2012 Refunding Bonds (2)	13,690,000.00	8/01/2032	8,135,000.00
05/06/2014	2014 Refunding Bonds	23,565,000.00	8/01/2035	16,815,000.00
04/13/2016	2016 Refunding Bonds	23,600,000.00	8/01/2032	16,805,000.00
10/13/2019	GO Bonds, 2016 Election, Series B	7,000,000.00	8/01/2023	2,450,000.00
05/06/2020	2020 Refunding Bonds	13,650,000.00	8/01/2031	11,480,000.00
Total		**$201,182,992.35**		**$150,962,265.16**

(1) Does not include the Bonds offered for sale in the Official Statement.
(2) Certain maturities expected to be refunded with the Bonds proceeds as described in the Official Statement.

Capital Leases. On January 1, 2017 the District entered into a lease agreement with Public Property Financing Corporation of California (the "**Corporation**") in the amount of $19,455,000 to fund energy projects at various school sites. The District received approval from the Internal Revenue Service under Section 54C of the Internal Revenue Code of 1986 with respect to renewal energy projects at the various school sites listed in the lease agreement, and receives a direct Fedearl subsidy in connection with the lease. In order to provide financing for the renewable energy projects at the designated school sites, the District agreed to lease the real property comprising Lexington Elementary School to the Corporation by entering into a site lease as of January 1, 2017 whereby the Corporation has agreed to assist the District with such financing by entering into this lease. Pursuant to the lease, the Corporation will sublease the leased property back to the District and the District will be obligated to make lease payments to the Corporation. The term of the lease agreement commenced January 1, 2017 and ends August 1, 2036 with an interest rate of 4.19% per annum. Principal payments are due August 1 of each year beginning August 1, 2017 with interest payments due February 1 and August 1 of each year during the lease term.

Commitments under the capitalized agreements for the renewable energy lease and minimum lease payments as of June 30, 2021 is shown in the following table:

OUTSTANDING 2017 LEASE
Cajon Valley Union School District

Year Ended June 30,	Lease Payment
2022	$1,688,597
2023	1,579,655
2024	1,548,368
2025	1,516,704
2026	1,484,663
2027-2031	6,935,082
2032-2036	6,093,453
2037	1,113,856
Total minimum lease payments	21,960,378
Less amount representing interest	(5,596,061)
Present value of minimum lease payments	$16,364,317

Source: Cajon Valley Union School District Audit Report.

Early Retirement Incentive. During the 2020-21 fiscal year, the District entered into a Supplementary Retirement Plan (SRP) for eligible employees through Public Agency Retirement Services (PARS). The incentive was financed over five years. The outstanding principal balance remaining as of June 30, 2021 is as follows:

EARLY RETIREMENT INCENTIVE
Cajon Valley Union School District

Year Ended June 30,	Payments
2022	$886,880
2023	886,880
2024	886,880
2025	886,880
2026	302,011
TOTAL	$3,849,531

Source: Cajon Valley Union School District Audit Report.

Compensated Absences. Total unpaid employee compensated absences as of June 30, 2021 amounted to $2,050,998. This amount is included as part of long-term liabilities in the government-wide financial statements of the District.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the San Diego County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—Education FundingGenerally" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" on the following page.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

*The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the **"LAO"**). Neither the District, the Underwriter nor the County is responsible for the information provided in this section.*

State Funding of Education Generally

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive the majority of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State's general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The State Budget Process

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Resources Relating to State Budgets

Certain information about the State budgeting process and the State budget is available through several State sources. Convenient sources of information include:

- www.treasurer.ca.gov: The California State Treasurer internet home page, under the link to “Bond Finance” and sub-heading “-Public Finance Division”, includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.

- www.dof.ca.gov: The California Department of Finance’s (the **“DOF”**) internet home page, under the link to “California Budget”, includes the text of proposed and adopted State Budgets.

- www.lao.ca.gov: The LAO’s internet home page includes a link to “-The Budget” which includes analyses and commentary on fiscal outlooks.

The above references to internet websites shown are shown for reference and convenience only. The information contained within the websites may include outdated information and has not been reviewed for accuracy by the District or the Underwriter. Such information is not incorporated herein by reference.

The 2022-23 State Budget

On June 30, 2022, the Governor signed the fiscal year 2022-23 State Budget (the **“2022-23 State Budget”**), a $308 billion spending plan, including $234.4 billion in general fund spending, and a historic $100 billion budget surplus. The 2022-23 State Budget includes significant general fund investments, provides for tax rebates to millions of taxpayers, and provides for a $37.2 billion reserve.

A central component of the 2022-23 State Budget is an over $17 billion broad-based inflation relief package, which includes tax rebates of up to $1,050 based on income level and the size of household. The relief package also includes increased grants for the State's lowest income families and individuals, and additional funding for food banks.

Other highlights of the 2022-23 State Budget include funding to address impacts of climate change and drought, provide for wildfire support, and address electricity rates and accelerate clean energy projects. Total funding of $128.6 billion is provided for K-12 education, reflecting $22,893 per pupil ($16,993 K-12 Proposition 98 guarantee), further details of which are set forth below. The 2022-23 State Budget includes funding aimed at addressing higher education needs, health care including universal access, funding for infrastructure including for transportation, energy innovation and reliability, housing for homeless individuals, and increasing broadband connectivity. Funding in the amount of $14.8 billion is provided for regional transit and rail projects, the continued development of a first-in-the-nation, electrified high-speed rail system in the State and other climate adaptation projects. The 2022-23 State Budget includes an additional $2 billion over two years to accelerate the development of affordable housing, and $3.4 billion over three years to continue the State’s efforts to address homelessness by investing in immediate behavioral health housing and treatment, as well as encampment cleanup grants. Funding is provided to address COVID-19 health issues including testing and vaccinations, and funding for local law enforcement and highway patrols aimed at increasing public safety. The 2022-23 State Budget is projected to be balanced in fiscal year 2025-26, the last year in the multi-year forecast.

With respect to K-12 education, the 2022-23 State Budget provides total funding of $128.6 billion ($78.6 billion general fund and $50 billion other funds) for all K-12 education programs. The 2022-23 State Budget reflects a Proposition 98 funding level of $110.4 billion in 2022-23, representing a three-year increase in the minimum Proposition 98 guarantee of $35.8 billion over the level funded in the fiscal year 2020-21 State budget. A payment of approximately $2.2 billion is provided for the Public School System Stabilization Account, for a balance of more than $9.5 billion at the end of fiscal year 2022-23.

Under State law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Stabilization Account is equal to or greater than 3 percent of the total K-12 share of the Proposition 98 guaranteed funding. The balance of $7.1 billion in fiscal year 2021-22 has triggered the school district reserve cap beginning in fiscal year 2022-23.

The 2022-23 State Budget includes an LCFF cost-of-living adjustment of 6.56 percent, the largest in the history of LCFF. Additionally, to help school districts and charter schools address ongoing fiscal pressures, staffing shortages, and other operational needs, the 2022-23 State Budget includes $4.32 billion ongoing Proposition 98 general fund to increase LCFF base funding by an additional 6.28 percent.

To support fiscal stability and to address declining enrollment, the 2022-23 State Budget allows school districts to use the greater of the current year or prior year average daily attendance or an average of the three prior years' average daily attendance to calculate LCFF funding. Further, 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 average daily attendance or their current year enrollment adjusted for pre-COVID-19 absence rates in fiscal year 2021-22.

Other highlights of the 2022-23 State Budget relating to K-12 education include:

Establishes the Learning Recovery Emergency Fund: $7.9 billion one-time Proposition 98 general fund to support the Learning Recovery Emergency Block Grant which will support local educational agencies in establishing learning recovery initiatives through the fiscal year 2027–28 school year. Funds can be used to increase instructional time, close learning gaps such as tutoring or small group learning, support students with health, counseling or mental health services, create additional access to instructions to support graduations and increase college eligibility, and provide additional academic services to students.

Block Grant for Arts, Music and Other Programs: Establishes the Arts, Music and Instructional Materials Block Grant, funded at $3.6 billion for a variety of purposes.

Supporting Community Schools: $1.1 billion in one-time Proposition 98 funding supporting access to the community schools grant.

Support for Educator Workforce: $48.1 million general fund for educator workforce purposes.

Funding for Residency Programs: $250 million one-time Proposition 98 general fund to expand residency slots for teachers and school counselors.

Funding for STEM Purposes: $85 million one-time Proposition 98 general fund to create Pre-K through 12 grade educator resources and professional learning to implement the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.

Support for State Preschools: $312.7 million Proposition 98 general fund and $172.3 million general fund to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health and adds an adjustment factor for three-year-olds. Funding is also provided for inclusive early education, waiver of certain costs for children in the State Preschool Program, and in fiscal year 2022-23 reimbursing preschool providers for certain hours of authorized care.

Support for Transitional Kindergarten: $614 million ongoing Proposition 98 general fund to, beginning in the 2022-23 school year, to support the first year of expanded eligibility for transitional kindergarten. Additionally, the 2022-23 State Budget provides $383 million Proposition 98 general fund to add one additional certificated or classified staff person to every transitional kindergarten class, reducing student-to-adult ratios to more closely align with the State Preschool Program.

Expanded Learning Opportunities Program: $1 billion ongoing and $753 million one-time Proposition 98 general fund in the first year of a multi-year investment 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 these students will be required to offer expanded learning opportunities to all elementary students. The 2022-23 State Budget continues to assume that full fiscal implementation of the program will take place by 2025-26.

Early Literacy: Includes $250 million one-time Proposition 98 general fund, 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 to offer one-on-one and small group intervention for struggling readers.

Community Engagement Initiative: First funded in 2018, an additional $100 million one-time Proposition 98 general fund to expand the reach of the program to hundreds of additional local educational agencies.

Special Education: $500 million ongoing Proposition 98 general fund for the special education funding formula, paired with several policy changes to further the State's commitment to improving special education instruction and services.

College and Career Pathways: Includes $500 million one-time Proposition 98 general fund over seven years to support the development of pathway programs focused on technology, health care, education, and climate-related fields, and $200 million one-time Proposition 98 general fund, available over five years, to strengthen and expand student access and participation in dual enrollment opportunities.

Home-To-School Transportation: $637 million ongoing Proposition 98 general fund to reimburse local educational agencies for up to 60 percent of their transportation costs in the prior year. Additionally, commencing in 2023-24, the 2022-23 State Budget reflects the application of an ongoing cost-of-living adjustment to the current LCFF Home-to-School transportation add-on. In addition, $1.5 billion one-time Proposition 98 general fund, available over five years, to support greening school bus fleets through programs that will be operated by the California Air Resources Board and the California Energy Commission.

Nutrition: $596 million Proposition 98 general fund to fund universal access to subsidized school meals, an additional $611.8 million to augment the state meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in 2022-23, and $600 million one-time, available over three years, for school kitchen infrastructure upgrades and equipment, food service employee training, and compensation for work related to serving universal meals using more fresh, minimally processed foods.

Farm to School Program: $30 million one-time general fund to establish additional farm to school demonstration projects with priority towards high-need schools, and $3 million ongoing general fund to expand the regional California Farm to School Network.

K-12 Facilities: The 2022-23 State Budget allocates the remaining Proposition 51 bond funds to support school construction projects, and provides $100 million one-time general fund with fiscal year 2021-22 funds and $550 million in fiscal year 2023-24 to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. This program's grant funds may be used to construct new school facilities or retrofit existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms.

For the full text of the 2022-23 State Budget, see the DOF website at www.dof.ca.gov. *The reference to this Internet website is shown for reference and convenience only and the information contained on such website is not incorporated by reference into this Official Statement. The information contained on this website may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Disclaimer Regarding State Budgets

The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2022-23 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations. However, the Bonds described herein are secured by *ad valorem* property taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the Owners of the Bonds to provide State Budget information to the District or the owners of the Bonds. Although the sources of information provided herein are known to be reliable, neither the District nor the Underwriter assume any responsibility for the accuracy of the budget information set forth or referred to in this Official Statement or incorporated herein.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory provisions relating to education funding in the State has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto, and how such events could impact the District and its finances.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, 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 the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for the payment of the Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 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.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB ("**Article XIIIB**") of the State Constitution, 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. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB 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 legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB 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. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB 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 under Section 8.5 of Article XVI of the State Constitution.

Unitary 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 ("**unitary property**"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by 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.

Articles XIIIC and XIIID 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 XIIIC and XIIID (respectively, "**Article XIIIC**" and "**Article XIIID**"), 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 XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) 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; (2) 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; (3) 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; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) 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; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. 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.

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Proposition 98

On November 8, 1988, California voters 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 changes 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 general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the 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 changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 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 would automatically be 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 XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters 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 XIIIB 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:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB 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.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB 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. Also, 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.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB 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.

Recalculation of Appropriations Limit. The Article XIIIB 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 1990-91 as if Proposition 111 had been in effect.

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 (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) 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 (the "**third test**"). 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 which 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 (1) 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 (2) changes existing statutory law regarding charter school facilities. Constitutional amendments may be changed only with another statewide vote. 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 Proposition 39 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. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) 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; (2) 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 (3) 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 approved in June 2000 places certain 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 an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. 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.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. 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 amended 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, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "**Proposition 30**"), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed 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 imposed 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. This excise tax was 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 December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “Proposition 98” and “Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be 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 will be allocated quarterly, with 89% of such funds provided to schools 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.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales and excise tax increases of Proposition 30.

California Senate Bill 222

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under 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 measures cannot be anticipated by the District.

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APPENDIX B

CAJON VALLEY UNION SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2020-21

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CAJON VALLEY UNION SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2021

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

CHRISTY WHITE Certified Public Accountants serving K-12 School Districts and Charter Schools throughout California

INDEPENDENT AUDITORS' REPORT

Governing Board
Cajon Valley Union School District
El Cajon, 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 the Cajon Valley Union School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cajon Valley Union School 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 from material misstatement.

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

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

Opinions

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

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Emphasis of Matter

Change in Accounting Principle

As described in Note 17 to the basic financial statements, the Cajon Valley Union School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cajon Valley Union School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2022 on our consideration of Cajon Valley Union 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cajon Valley Union 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 Cajon Valley Union School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 19, 2022

INTRODUCTION

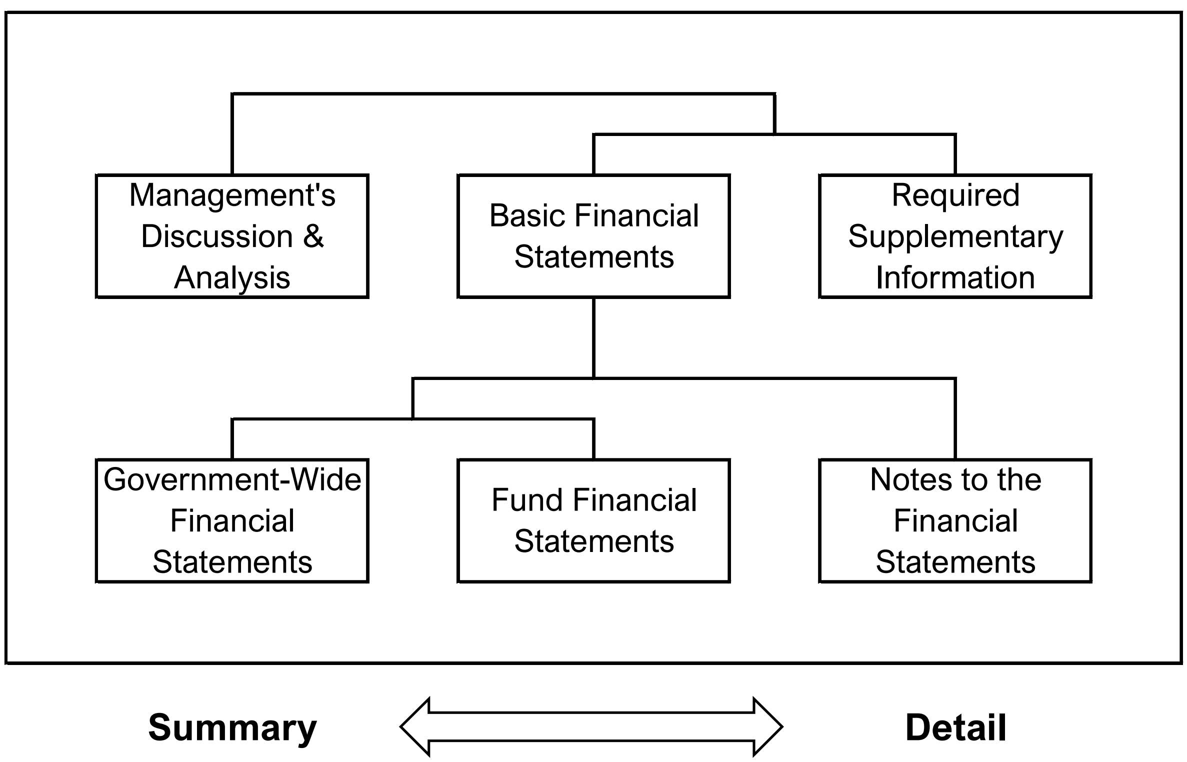
Our discussion and analysis of Cajon Valley Union School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was $(13,582,484) at June 30, 2021. This was an increase of $1,356,457 from the prior year, after restatement.
- Overall revenues were $268,972,890 which exceeded expenses of $267,616,433.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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 District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** 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.

    - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

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 and other supplementary information that further explain and support 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. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $(13,582,484) at June 30, 2021, as reflected in the table below. Of this amount, $(188,652,119) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2021	**2020**	**Net Change**
ASSETS			
Current and other assets	$ 152,802,591	$ 125,486,781	$ 27,315,810
Capital assets	314,533,310	315,669,809	(1,136,499)
Total Assets	467,335,901	441,156,590	26,179,311
DEFERRED OUTFLOWS OF RESOURCES	66,701,075	65,404,235	1,296,840
LIABILITIES			
Current liabilities	43,872,254	28,386,964	15,485,290
Long-term liabilities	481,495,197	463,683,046	17,812,151
Total Liabilities	525,367,451	492,070,010	33,297,441
DEFERRED INFLOWS OF RESOURCES	22,252,009	29,552,977	(7,300,968)
NET POSITION			
Net investment in capital assets	138,287,511	134,743,168	3,544,343
Restricted	36,782,124	30,461,106	6,321,018
Unrestricted	(188,652,119)	(180,266,436)	(8,385,683)
Total Net Position	$ (13,582,484)	$ (15,062,162)	$ 1,479,678

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2021	2020	Net Change
REVENUES			
Program revenues			
Charges for services	$ 4,263,883	$ 5,345,132	$ (1,081,249)
Operating grants and contributions	78,117,595	40,322,801	37,794,794
General revenues			
Property taxes	61,270,489	58,683,685	2,586,804
Unrestricted federal and state aid	118,571,605	127,045,848	(8,474,243)
Other	6,749,318	7,980,444	(1,231,126)
Total Revenues	268,972,890	239,377,910	29,594,980
EXPENSES			
Instruction	150,445,021	134,624,733	15,820,288
Instruction-related services	27,298,974	25,526,693	1,772,281
Pupil services	30,132,867	29,960,496	172,371
General administration	20,351,452	16,331,297	4,020,155
Plant services	16,282,616	14,923,359	1,359,257
Ancillary and community services	65,839	111,819	(45,980)
Debt service	7,129,034	9,124,191	(1,995,157)
Other outgo	1,345,478	230,190	1,115,288
Depreciation	14,544,105	13,481,425	1,062,680
Enterprise activities	21,047	14,711	6,336
Total Expenses	267,616,433	244,328,914	23,287,519
Change in net position	1,356,457	(4,951,004)	6,307,461
Net Position - Beginning, as Restated*	(14,938,941)	(10,111,158)	(4,827,783)
Net Position - Ending	$ (13,582,484)	$ (15,062,162)	$ 1,479,678

**Beginning net position was restated for the 2021 year only.*

The cost of all our governmental activities this year was $267,616,433 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only $61,270,489 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2021	**2020**
Instruction	$ 95,617,274	$ 110,867,266
Instruction-related services	19,571,686	19,879,020
Pupil services	17,092,742	17,392,254
General administration	16,845,249	14,680,312
Plant services	14,870,101	14,600,997
Ancillary and community services	47,028	111,819
Debt service	7,129,034	9,124,191
Transfers to other agencies	(503,311)	(1,491,014)
Depreciation	14,544,105	13,481,425
Other	21,047	14,711
Total Expenses	$ 185,234,955	$ 198,660,981

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $116,754,495, which is more than this year's restated beginning fund balance of $104,828,370. The District's General Fund had $20,636,247 more in operating revenues than expenditures for the year ended June 30, 2021. The Building Fund had $7,078,212 less in operating revenues than expenditures for the year ended June 30, 2021. The Bond Interest and Redemption Fund had 530,754 more in operating revenues than expenditures for the year ended June 30, 2021.

CURRENT YEAR BUDGET 2020-2021

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2020-2021 the District had invested $314,533,310 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2021	2020	Net Change
CAPITAL ASSETS			
Land	$ 13,517,805	$ 13,517,805	$ -
Construction in progress	17,944,932	23,499,067	(5,554,135)
Land improvements	38,289,824	36,895,729	1,394,095
Buildings & improvements	388,892,563	374,256,669	14,635,894
Furniture & equipment	34,655,212	31,723,460	2,931,752
Accumulated depreciation	(178,767,026)	(164,222,921)	(14,544,105)
Total Capital Assets	$ 314,533,310	$ 315,669,809	$ (1,136,499)

Long-Term Liabilities

At year-end, the District had $481,495,197 in long-term liabilities, an increase of 3.84 percent from the prior year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2021	2020	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 185,100,877	$ 194,606,804	$ (9,505,927)
Capital leases	16,364,317	17,849,424	(1,485,107)
Early retirement incentive	3,849,531	-	3,849,531
Compensated absences	2,050,998	2,099,406	(48,408)
Total OPEB liability	52,896,859	49,900,221	2,996,638
Net pension liability	233,456,926	210,664,146	22,792,780
Less: current portion of long-term liabilities	(12,224,311)	(11,436,955)	(787,356)
Total Long-term Liabilities	$ 481,495,197	$ 463,683,046	$ 17,812,151

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its March 2021 and June 2021 quarterly reports, the UCLA Anderson Forecast anticipated a robust recovery from the COVID-19–induced recession that began in March 2020. However, in its September 2021 quarterly report, hopes for blockbuster economic growth have been tempered by the spread of the COVID-19 delta variant and stagnating vaccination rates, which in turn have led to consumer caution and supply constraints. As a result, what could have been a couple of years of blockbuster economic performance will now likely feature solid but unspectacular growth. The economy is currently down 5.3 million payroll jobs from its pre-COVID peak, and there is little evidence to suggest that the expiration of enhanced unemployment benefits will lead to a surge in job applications.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom's "California Comeback Plan" includes a mix of ongoing and one-time investments of $100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding.

Landmark legislation passed in year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low-income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADS); and (4) meeting annual compliance and audit requirements.

The May 2021 Budget Revision provides additional funding to further reduce the funding deferrals that were included in the 2020-21 Enacted Budget. The Governor's Budget in January proposed paying down $9.2 billion of the K–12 deferrals. The May 2021 Budget Revision proposes paying down an additional $1.1 billion, leaving a balance of $2.6 billion at the end of the 2021–22 fiscal year.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2021. The amount of the liability is material to the financial position of the District. Beginning in 2021-22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually (not to exceed 20.25% of creditable compensation), the projected employer contribution rate for 2021-22 is 16.92%. The CalPERS Board adopted an employer contribution rate of 22.91% for 2021-22. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2021-22 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Miranda Durning, Fiscal Services Director (durningm@cajonvalley.net) or Scott Buxbaum, Assistant Superintendent, Business Services (buxbaums@cajonvalley.net).

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

		Governmental Activities
ASSETS		
Cash and investments	$	110,171,754
Accounts receivable		41,721,636
Inventory		508,595
Prepaid expenses		400,606
Capital assets, not depreciated		31,462,737
Capital assets, net of accumulated depreciation		283,070,573
Total Assets		467,335,901
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		59,023,283
Deferred outflows related to OPEB		5,227,789
Deferred amount on refunding		2,450,003
Total Deferred Outflows of Resources		66,701,075
LIABILITIES		
Accrued liabilities		12,352,726
Current loans		15,000,000
Unearned revenue		4,295,217
Long-term liabilities, current portion		12,224,311
Long-term liabilities, non-current portion		481,495,197
Total Liabilities		525,367,451
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		12,182,791
Deferred inflows related to OPEB		9,823,195
Deferred amount on refunding		246,023
Total Deferred Inflows of Resources		22,252,009
NET POSITION		
Net investment in capital assets		138,287,511
Restricted:		
Capital projects		7,873,425
Debt service		12,101,819
Educational programs		15,374,986
Food service		1,336,534
Associated student body		95,360
Unrestricted		(188,652,119)
Total Net Position	$	(13,582,484)

The accompanying notes are an integral part of these financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
GOVERNMENTAL ACTIVITIES				
Instruction	$ 150,445,021	$ 2,154,233	$ 52,673,514	$ (95,617,274)
Instruction-related services				
Instructional supervision and administration	11,427,941	508,664	5,286,872	(5,632,405)
Instructional library, media, and technology	847,124	-	2,709	(844,415)
School site administration	15,023,909	79,152	1,849,891	(13,094,866)
Pupil services				
Home-to-school transportation	4,380,030	-	81,044	(4,298,986)
Food services	8,618,085	525,467	7,412,359	(680,259)
All other pupil services	17,134,752	72,351	4,948,904	(12,113,497)
General administration				
Centralized data processing	6,806,633	-	1,279,166	(5,527,467)
All other general administration	13,544,819	105,283	2,121,754	(11,317,782)
Plant services	16,282,616	10,916	1,401,599	(14,870,101)
Ancillary services	46,672	-	18,811	(27,861)
Community services	19,167	-	-	(19,167)
Enterprise activities	21,047	-	-	(21,047)
Interest on long-term debt	7,129,034	-	-	(7,129,034)
Other outgo	1,345,478	807,817	1,040,972	503,311
Depreciation (unallocated)	14,544,105	-	-	(14,544,105)
Total Governmental Activities	$ 267,616,433	$ 4,263,883	$ 78,117,595	(185,234,955)
	General revenues			
	Taxes and subventions			
	Property taxes, levied for general purposes			43,277,831
	Property taxes, levied for debt service			16,305,385
	Property taxes, levied for other specific purposes			1,687,273
	Federal and state aid not restricted for specific purposes			118,571,605
	Interest and investment earnings			998,030
	Interagency revenues			252,152
	Miscellaneous			5,499,136
	Subtotal, General Revenue			186,591,412
	CHANGE IN NET POSITION			1,356,457
	Net Position - Beginning, as Restated			(14,938,941)
	Net Position - Ending			$ (13,582,484)

The accompanying notes are an integral part of these financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 59,833,194	$ 19,761,775	$ 15,286,580	$ 9,286,510	$ 104,168,059
Accounts receivable	37,522,754	41,761	-	2,045,876	39,610,391
Due from other funds	1,228,525	-	-	1,000,000	2,228,525
Stores inventory	247,100	-	-	261,495	508,595
Prepaid expenditures	400,606	-	-	-	400,606
Total Assets	$ 99,232,179	$ 19,803,536	$ 15,286,580	$ 12,593,881	$ 146,916,176
LIABILITIES					
Accrued liabilities	$ 6,665,818	$ 616,891	$ -	$ 1,356,226	$ 8,638,935
Due to other funds	1,000,000	1,841	-	1,225,688	2,227,529
Current loans	15,000,000	-	-	-	15,000,000
Unearned revenue	4,273,598	-	-	21,619	4,295,217
Total Liabilities	26,939,416	618,732	-	2,603,533	30,161,681
FUND BALANCES					
Nonspendable	800,072	-	-	261,495	1,061,567
Restricted	15,046,812	19,184,804	15,286,580	9,728,853	59,247,049
Assigned	22,878,374	-	-	-	22,878,374
Unassigned	33,567,505	-	-	-	33,567,505
Total Fund Balances	72,292,763	19,184,804	15,286,580	9,990,348	116,754,495
Total Liabilities and Fund Balances	$ 99,232,179	$ 19,803,536	$ 15,286,580	$ 12,593,881	$ 146,916,176

The accompanying notes are an integral part of these financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds		$ 116,754,495
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 493,300,336	
Accumulated depreciation	(178,767,026)	314,533,310
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		2,203,980
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(3,184,761)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 185,100,877	
Capital leases	16,364,317	
Early retirement incentive	3,849,531	
Compensated absences	2,050,998	
Total OPEB liability	52,896,859	
Net pension liability	233,456,926	(493,719,508)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 59,023,283	
Deferred inflows of resources related to pensions	(12,182,791)	46,840,492

(continued on the following page)

The accompanying notes are an integral part of these financial statements.

Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 5,227,789	
Deferred inflows of resources related to OPEB	(9,823,195)	(4,595,406)
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		7,584,914
Total Net Position - Governmental Activities		$ (13,582,484)

The accompanying notes are an integral part of these financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 158,530,186	$ -	$ -	$ -	$ 158,530,186
Federal sources	41,592,211	-	-	7,279,766	48,871,977
Other state sources	23,249,603	-	114,515	3,078,713	26,442,831
Other local sources	21,505,468	2,897,591	16,333,260	863,784	41,600,103
Total Revenues	244,877,468	2,897,591	16,447,775	11,222,263	275,445,097
EXPENDITURES					
Current					
Instruction	140,668,932	-	-	1,972,567	142,641,499
Instruction-related services					
Instructional supervision and administration	10,574,543	-	-	253,109	10,827,652
Instructional library, media, and technology	741,864	-	-	-	741,864
School site administration	13,964,343	-	-	179,811	14,144,154
Pupil services					
Home-to-school transportation	3,770,518	-	-	-	3,770,518
Food services	-	-	-	7,916,607	7,916,607
All other pupil services	16,240,442	-	-	-	16,240,442
General administration					
Centralized data processing	7,296,321	-	-	-	7,296,321
All other general administration	12,147,674	-	-	366,959	12,514,633
Plant services	14,605,523	332,039	-	62,484	15,000,046
Facilities acquisition and maintenance	2,286,145	7,998,145	-	2,031,507	12,315,797
Ancillary services	-	-	-	46,672	46,672
Community services	19,089	-	-	-	19,089
Transfers to other agencies	1,299,879	-	-	-	1,299,879
Debt service					
Principal	584,871	939,000	8,632,319	546,107	10,702,297
Interest and other	41,077	706,619	7,284,702	9,104	8,041,502
Total Expenditures	224,241,221	9,975,803	15,917,021	13,384,927	263,518,972
Excess (Deficiency) of Revenues Over Expenditures	20,636,247	(7,078,212)	530,754	(2,162,664)	11,926,125
Other Financing Sources (Uses)					
Transfers in	5,768	651,907	-	1,390,000	2,047,675
Transfers out	(2,041,907)	-	-	(5,768)	(2,047,675)
Net Financing Sources (Uses)	(2,036,139)	651,907	-	1,384,232	-
NET CHANGE IN FUND BALANCE	18,600,108	(6,426,305)	530,754	(778,432)	11,926,125
Fund Balance - Beginning, as Restated	53,692,655	25,611,109	14,755,826	10,768,780	104,828,370
Fund Balance - Ending	$ 72,292,763	$ 19,184,804	$ 15,286,580	$ 9,990,348	$ 116,754,495

The accompanying notes are an integral part of these financial statements.

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

Net Change in Fund Balances - Governmental Funds			$ 11,926,125
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay:	$	13,407,606	
Depreciation expense:		(14,544,105)	(1,136,499)
Debt service:			
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			10,386,117
Deferred amounts on refunding:			
In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:			(188,326)
Unmatured interest on long-term debt:			
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			181,587
Accreted interest on long-term debt:			
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.			(573,130)
Compensated absences:			
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:			48,408

(continued on the following page)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:		(1,573,274)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		(15,430,010)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:		(3,849,531)
Amortization of debt issuance premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:		1,178,047
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		386,943
Change in Net Position of Governmental Activities	$	1,356,457

CAJON VALLEY UNION SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities Internal Service Fund
ASSETS	
Current assets	
Cash and investments	$ 6,003,695
Accounts receivable	2,111,245
Total current assets	8,114,940
Total Assets	8,114,940
LIABILITIES	
Current liabilities	
Accrued liabilities	529,030
Due to other funds	996
Total current liabilities	530,026
Total Liabilities	530,026
NET POSITION	
Restricted	7,584,914
Total Net Position	$ 7,584,914

The accompanying notes are an integral part of these financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 23,204,845
Other local revenues	15,899
Total operating revenues	23,220,744
OPERATING EXPENSES	
Salaries and benefits	129,016
Professional services	22,762,220
Total operating expenses	22,891,236
Operating income/(loss)	329,508
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	57,435
CHANGE IN NET POSITION	386,943
Net Position - Beginning	7,197,971
Net Position - Ending	$ 7,584,914

The accompanying notes are an integral part of these financial statements.

CAJON VALLEY UNION SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash received from user charges	$ 23,204,845
Cash received (paid) from assessments made to (from) other funds	(22,305)
Cash payments for payroll, insurance, and operating costs	(22,918,859)
Net cash provided by (used for) operating activities	263,681
Cash flows from investing activities	
Interest received	57,435
Net cash provided by (used for) investing activities	57,435
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	321,116
CASH AND CASH EQUIVALENTS	
Beginning of year	5,682,579
End of year	$ 6,003,695
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income/(loss)	$ 329,508
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(90,755)
(Increase) decrease in due from other funds	52,551
Increase (decrease) in accrued liabilities	(27,861)
Increase (decrease) in due to other funds	238
Net cash provided by (used for) operating activities	$ 263,681

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Cajon Valley Union School District (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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

Special Revenue 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 District maintains the following special revenue funds:

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section* 42840).

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Proprietary Fund Financial Statements
The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets
The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings	45-50 Years
Building Improvements	20-25 Years
Vehicles	3-15 Years
Office Equipment	3-15 Years
Computer Equipment	3-15 Years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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 because 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.

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

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 - June 30, 2020

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Premiums and Discounts
In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

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

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 defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

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

G. Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data

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

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

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has implemented this Statement as of June 30, 2021.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities
Investment in county treasury	$ 100,875,707	$ 5,968,981	$ 106,844,688
Cash on hand and in banks	2,658,749	14,714	2,673,463
Cash with fiscal agent	481,237	20,000	501,237
Cash in revolving fund	152,366	-	152,366
Total	$ 104,168,059	$ 6,003,695	$ 110,171,754

B. Policies and Practices

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

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The San Diego County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $107,290,850 and an amortized book value of $106,844,688. The average weighted maturity for this pool is 613 days.

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were rated at least A.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District's bank balance was exposed to custodial credit risk amounting to $2,784,987 because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

G. 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 an 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 or 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 - Investments in the San Diego 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:

	Uncategorized
Investment in county treasury	$ 107,290,850
Total	$ 107,290,850

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Governmental Activities
Federal Government					
Categorical aid	$ 13,513,276	$ -	$ 1,621,136	$ -	$ 15,134,412
State Government					
Apportionment	16,389,646	-	-	-	16,389,646
Categorical aid	1,168,276	-	373,740	-	1,542,016
Lottery	1,082,502	-	-	-	1,082,502
Local Government					
Other local sources	5,369,054	41,761	51,000	2,111,245	7,573,060
Total	$ 37,522,754	$ 41,761	$ 2,045,876	$ 2,111,245	$ 41,721,636

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	$ 13,517,805	$ -	$ -	$ 13,517,805
Construction in progress	23,499,067	9,737,268	15,291,403	17,944,932
Total Capital Assets not Being Depreciated	37,016,872	9,737,268	15,291,403	31,462,737
Capital assets being depreciated				
Land improvements	36,895,729	1,394,095	-	38,289,824
Buildings & improvements	374,256,669	14,635,894	-	388,892,563
Furniture & equipment	31,723,460	2,931,752	-	34,655,212
Total Capital Assets Being Depreciated	442,875,858	18,961,741	-	461,837,599
Less Accumulated Depreciation				
Land improvements	9,784,995	1,653,626	-	11,438,621
Buildings & improvements	137,140,849	9,426,125	-	146,566,974
Furniture & equipment	17,297,077	3,464,354	-	20,761,431
Total Accumulated Depreciation	164,222,921	14,544,105	-	178,767,026
Governmental Activities				
Capital Assets, net	$ 315,669,809	$ 14,154,904	$ 15,291,403	$ 314,533,310

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2021 were as follows:

	Due From Other Funds		
Due To Other Funds	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,000,000	$ 1,000,000
Building Fund	1,841	-	1,841
Non-Major Governmental Funds	1,225,688	-	1,225,688
Internal Service Fund	996	-	996
Total	$ 1,228,525	$ 1,000,000	$ 2,228,525

Due from the General Fund to the Special Reserve Fund for Capital Outlay Projects for transfer of furniture expenditures.	$ 1,000,000
Due from the Child Development Fund to the General Fund for OPEB, indirect, and other cost transfers.	124,594
Due from the Cafeteria Fund to the General Fund for OPEB, indirect costs, and short-term borrowing.	1,101,094
Due from the Building Fund to the General Fund for OPEB costs.	1,841
Due from the Internal Service Fund to the General Fund for OPEB costs.	996
Total	$ 2,228,525

B. Operating Transfers

Interfund transfers for the year ended June 30, 2021 consisted of the following:

	Interfund Transfers In			
Interfund Transfers Out	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 651,907	$ 1,390,000	$ 2,041,907
Non-Major Governmental Funds	5,768	-	-	5,768
Total	$ 5,768	$ 651,907	$ 1,390,000	$ 2,047,675

Transfer from the General Fund to the Building Fund for solar project costs.	$ 651,907
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for Mandate Block Grant and bus lease payment.	1,390,000
Transfer from the Cafeteria Fund to the General Fund for solar project costs.	5,768
Total	$ 2,047,675

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	District-Wide	Governmental Activities
Payroll	$ 1,266,565	$ 7,690	$ 40,198	$ -	$ -	$ 1,314,453
Construction	-	609,201	159,750	-	-	768,951
Vendors payable	3,456,755	-	1,156,278	529,030	-	5,142,063
Unmatured interest	-	-	-	-	3,184,761	3,184,761
Due to grantor government	1,942,498	-	-	-	-	1,942,498
Total	$ 6,665,818	$ 616,891	$ 1,356,226	$ 529,030	$ 3,184,761	$ 12,352,726

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	$ 1,592,257	$ -	$ 1,592,257
State categorical sources	2,681,341	-	2,681,341
Local sources	-	21,619	21,619
Total	$ 4,273,598	$ 21,619	$ 4,295,217

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021 consisted of the following:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 178,249,889	$ -	$ 8,632,319	$ 169,617,570	$ 8,910,180
Unamortized premium	12,830,743	-	1,178,047	11,652,696	1,010,263
Accreted interest	3,526,172	573,130	268,691	3,830,611	391,671
Subtotal general obligation bonds	194,606,804	573,130	10,079,057	185,100,877	10,312,114
Capital leases	17,849,424	-	1,485,107	16,364,317	1,025,317
Early retirement incentive	-	4,434,402	584,871	3,849,531	886,880
Compensated absences	2,099,406	-	48,408	2,050,998	-
Total OPEB liability	49,900,221	2,996,638	-	52,896,859	-
Net pension liability	210,664,146	22,792,780	-	233,456,926	-
Total	$ 475,120,001	$ 30,796,950	$ 12,197,443	$ 493,719,508	$ 12,224,311

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for capital lease obligations are made in the Building Fund and Special Reserve Fund for Capital Outlay Projects.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2020	Additions	Deductions	Bonds Outstanding June 30, 2021
2008 Series B	5/25/2011	8/1/2025	4.00%	$ 13,093,060	$ 7,908,495	$ -	$ 1,146,010	$ 6,762,485
2008 Series C	8/1/2012	8/1/2032	2.00-5.00%	19,999,932	18,916,394	-	176,309	18,740,085
2012 Series A	8/28/2013	8/1/2037	4.00-5.00%	31,200,000	24,365,000	-	385,000	23,980,000
2012 Series C	4/14/2015	8/1/2040	3.25-5.00%	20,000,000	18,170,000	-	135,000	18,035,000
2012 Series D	10/7/2015	8/1/2040	3.00-5.00%	17,880,000	17,760,000	-	145,000	17,615,000
2012 Series E	9/20/2017	8/1/2038	2.50-5.00%	17,505,000	16,205,000	-	310,000	15,895,000
2016 Series A	3/16/2017	8/1/2020	5.00%	6,000,000	2,100,000	-	2,100,000	-
2016 Series B	9/12/2019	8/1/2023	5.00-5.50%	7,000,000	7,000,000	-	-	7,000,000
2010 Refunding Bonds	2/10/2010	8/1/2031	3.00-5.00%	24,670,000	1,080,000	-	1,080,000	-
2012 Refunding Bonds	6/28/2012	8/1/2032	2.00-5.00%	13,690,000	9,985,000	-	590,000	9,395,000
2014 Refunding Bonds	5/6/2014	8/1/2035	3.00-5.00%	23,565,000	19,545,000	-	860,000	18,685,000
2016 Refunding Bonds	3/31/2016	8/1/2032	2.00-5.00%	23,600,000	21,565,000	-	1,505,000	20,060,000
2020 Refunding Bonds	11/20/2019	8/1/2031	5.00%	13,650,000	13,650,000	-	200,000	13,450,000
					$ 178,249,889	$ -	$ 8,632,319	$ 169,617,570

Election 2016, Series B General Obligation Bonds
On October 3, 2019, the District issued $7,000,000 of General Obligation Bonds, Election 2016, Series B (Ed Tech Bonds). The Series B bonds bear a fixed interest rates ranging from 5.00 to 5.50 percent with annual maturities from August 1, 2021 through August 1, 2023.

2020 General Obligation Refunding Bonds (Forward Delivery)
On November 20, 2019, the District issued $13,650,000 of 2020 General Obligation Refunding Bonds (Forward Delivery). Proceeds from the bonds were used to establish an escrow portfolio to defease a portion of the remaining 2010 General Obligation Refunding Bonds on the forward delivery date on May 6, 2020. The net proceeds received for the 2020 General Obligation Refunding Bonds were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the Election of 2010 General Obligation Bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. This refunding reduced total debt service payments by $2,577,907 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,315,686.

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

Year Ended June 30,	Principal	Interest	Total
2022	$ 8,910,180	$ 7,269,783	$ 16,179,963
2023	9,745,127	6,693,057	16,438,184
2024	10,513,060	6,289,433	16,802,493
2025	8,700,831	5,901,141	14,601,972
2026	9,235,410	5,677,880	14,913,290
2027 - 2031	52,357,962	25,253,260	77,611,222
2032 - 2036	41,070,000	9,423,019	50,493,019
2037 - 2041	29,085,000	2,879,483	31,964,483
Total	$ 169,617,570	$ 69,387,056	$ 239,004,626

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. Capital Leases

On January 1, 2017 the Cajon Valley Union School District (District) entered into a lease agreement with Public Property Financing Corporation of California (Corporation) in the amount of $19,455,000 to fund energy projects at various school sites. The District received approval from the Internal Revenue Service under Section 54C of the Internal Revenue Code of 1986 with respect to renewal energy projects at the various school sites listed in the lease agreement. In order to provide financing for the renewable energy projects at the designated school sites, the District agreed to lease the real property comprising Lexington Elementary School to the Corporation by entering into a site lease as of January 1, 2017 whereby the Corporation has agreed to assist the District with such financing by entering into this lease. Pursuant to the lease, the Corporation will sublease the leased property back to the District and the District will be obligated to make lease payments to the Corporation. The term of the lease agreement commenced January 1, 2017 and ends August 1, 2036 with an interest rate of 4.19% per annum. Principal payments are due August 1 of each year beginning August 1, 2017 with interest payments due February 1 and August 1 of each year during the lease term.

On February 7, 2018 the Cajon Valley Union School District (District) entered into a master equipment lease-purchase agreement with East County Schools Federal Credit Union as lessor to lease-purchase fifteen school buses in the amount of $1,625,465. Three separate lease schedules were created to lease the busses based upon subsequent delivery of the vehicles.

- The first lease term is for seven school busses in the amount of $484,815 over a three-year term and commenced October 1, 2018 with an end date of April 1, 2021. The interest rate is 2.25% with semi-annual payments of $83,080 due semi-annually on October 1 and April 1 of each year during the lease term.

- The second lease term is for five school busses in the amount of $684,849 over a three-year term and commenced December 1, 2018 with an end date of June 1, 2021. The interest rate is 2.25% with semi-annual payments of $117,359 due semi-annually on December 1 and June 1 of each year during the lease term.

- The third lease term is for three school busses in the amount of $455,801 over a three-year term and commenced February 1, 2019 with an end date of August 1, 2021. The interest rate is 2.25% with semi-annual payments of $78,032 due semi-annually on February 1 and August 1 of each year during the lease term.

Commitments under the capitalized agreements for the renewable energy lease and minimum lease payments as of June 30, 2021, is as follows:

Year Ended June 30,	Lease Payment
2022	$ 1,688,597
2023	1,579,655
2024	1,548,368
2025	1,516,704
2026	1,484,663
2027 - 2031	6,935,082
2032 - 2036	6,093,453
2037	1,113,856
Total minimum lease payments	21,960,378
Less amount representing interest	(5,596,061)
Present value of minimum lease payments	$ 16,364,317

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. Early Retirement Incentive

During the 2020-21 fiscal year, the District entered into a Supplementary Retirement Plan (SRP) for eligible employees through Public Agency Retirement Services (PARS). The incentive was financed over five years. The outstanding principal balance remaining as of June 30, 2021 is as follows:

Year Ended June 30,	Payments
2022	$ 886,880
2023	886,880
2024	886,880
2025	886,880
2026	302,011
Total	$ 3,849,531

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to $2,050,998. This amount is included as part of long-term liabilities in the government-wide financial statements.

E. Other Postemployment Benefits

The District's beginning total OPEB liability was $49,900,221 and increased by $2,996,638 during the year ended June 30, 2021. The ending total OPEB liability at June 30, 2021 was $52,896,859. See Note 10 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability was $210,664,146 and increased by $22,792,780 during the year ended June 30, 2021. The ending net pension liability at June 30, 2021 was $233,456,926. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2021:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 152,366	$ -	$ -	$ -	$ 152,366
Stores inventory	247,100	-	-	261,495	508,595
Prepaid expenditures	400,606	-	-	-	400,606
Total non-spendable	800,072	-	-	261,495	1,061,567
Restricted					
Educational programs	15,046,812	-	-	423,534	15,470,346
Food service	-	-	-	1,336,534	1,336,534
Associated student body	-	-	-	95,360	95,360
Capital projects	-	19,184,804	-	7,873,425	27,058,229
Debt service	-	-	15,286,580	-	15,286,580
Total restricted	15,046,812	19,184,804	15,286,580	9,728,853	59,247,049
Assigned					
Other assignments	15,615,706	-	-	-	15,615,706
Other postemployment benefits	7,262,668	-	-	-	7,262,668
Total assigned	22,878,374	-	-	-	22,878,374
Unassigned	33,567,505	-	-	-	33,567,505
Total Fund Balance	$ 72,292,763	$ 19,184,804	$ 15,286,580	$ 9,990,348	$ 116,754,495

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 no less than three percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The District's defined benefit OPEB plan, CVESD Retiree Health Care Plan (the Plan) provides OPEB for retirees and their eligible dependents that meet eligibility requirements until age 65. Retirees and their eligible dependents in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

The District provides retiree medical (including prescription drug benefits) and dental benefits to eligible retirees and their eligible dependents until the retiree turns age 65. An eligible retiree is only eligible for the level of coverage (retiree only, retiree plus spouse, or retiree plus family) they are receiving at retirement. Retired employees pay the same cost for coverage as an active employee. This cost varies based on the plans and level of coverage enrolled in. Employees in the management, supervisory and classified non-management units who are hired after July 1, 2015, will be eligible for retiree health/dental benefits for the retiring employee only. Family members can be covered by the retiree on a self-pay basis to retiree's age 65.

Classified and Certificated non-management members pay 25% of the Kaiser premium, management members pay 30% of the Kaiser premium, and supervisory members pay approximately 50% of individual Kaiser premiums. If a member chooses UHC, they have to pay 100% of the additional cost in excess of the Kaiser costs except classified who pay 25% if UHC Network 1 is chosen.

The District does not provide any retiree medical or dental benefits beyond age 65 except for certain management employees and supervisors who may continue on the Kaiser Senior Advantage Plan and receive a maximum District contribution equal to $50 per month.

Employees who retired prior to December 1, 2006 are eligible for $1,200 annual amount if they have waived medical benefits. No new retirees may elect this benefit in the future except an active employee who had waived coverage at December 1, 2006 and retires with this same coverage in place.

Eligibility for retiree health coverage requires retirement on or after age 55 with at least 10 years of District service. A surviving spouse can continue coverage upon the death of the retiree until they attain age 65 for the same rate the retiree would pay for single coverage.

Board members are not eligible for retiree health benefits.

C. Contributions

As of the measurement period, the District contributed $2,085,660 to the Plan, all of which was used for current premiums.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	174
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	1,536
Total number of participants**	1,710

*Information not provided
**As of the July 1, 2019 valuation date

E. Total OPEB Liability

The Cajon Valley Union School District's total OPEB liability of $52,896,859 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2019 and measured as of June 30, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation	2.75%
Salary increases	3.00%
Discount rate	2.66%
Healthcare cost trend rates	6.00% decreasing to 5.00%

Non-economic assumptions:

Mortality:

Mortality rates are based on the rates used by the 6/30/2017 CalPERS pension valuation and the 6/30/2015 STRS pension valuation.

Retirement Eligibility:

The earliest retirement age assumed for employees is age 55.

Participation Rates:

95% of future active employees are assumed to elect retiree health coverage at retirement. 20% of eligible (for reimbursement) retirees are assumed to continue on the Kaiser Senior Advantage Plan upon reaching age 65. We assume 70% of future retirees will enroll in a Kaiser Plan.

Spouse Coverage:

Of those electing coverage 60% of are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as retiree. Employees in the management, supervisory and classified non-management units who are hired after July 1, 2015 are assumed to elect coverage for retiree only.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Actuarial Assumptions and Other Inputs (continued)

The actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience.

This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

G. Changes in Total OPEB Liability

	June 30, 2021
Total OPEB Liability	
Service cost	$ 3,128,235
Interest on total OPEB liability	1,637,802
Difference between expected and actual experience	(1,626,361)
Changes of assumptions	1,942,622
Benefits payments	(2,085,660)
Net change in total OPEB liability	2,996,638
Total OPEB liability - beginning	49,900,221
Total OPEB liability - ending	$ 52,896,859
Covered-employee payroll	$ 126,014,000
District's total OPEB liability as a percentage of covered-employee payroll	41.98%

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

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

	1% Decrease (1.66%)	Valuation Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	$ 57,078,140	$ 52,896,859	$ 49,008,088

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Cajon Valley Union School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rate (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Total OPEB liability	$ 47,170,390	$ 52,896,859	$ 59,604,605

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

For the year ended June 30, 2021, the Cajon Valley Union School District recognized OPEB expense of $3,737,392. At June 30, 2021, the Cajon Valley Union School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 9,593,287
Changes in assumptions	3,655,373	229,908
District contributions subsequent to the measurement date	1,572,416	-
Total	$ 5,227,789	$ 9,823,195

The $1,572,416 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	$ 491,361	$ 1,520,006
2023	491,361	1,520,006
2024	491,361	1,520,006
2025	491,361	1,520,005
2026	491,361	1,187,490
Thereafter	1,198,568	2,555,682
Total	$ 3,655,373	$ 9,823,195

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 153,291,409	$ 41,164,127	$ 12,182,320	$ 19,824,856
PERS Pension	80,165,517	17,859,156	471	18,048,712
Total	$ 233,456,926	$ 59,023,283	$ 12,182,791	$ 37,873,568

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided
The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $14,254,730 for the year ended June 30, 2021.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $8,942,916 to CalSTRS.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	153,291,409
State's proportionate share of the net pension liability associated with the District		79,021,100
Total	$	232,312,509

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.158 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2019.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2021, the District recognized pension expense of $19,824,856. In addition, the District recognized pension expense and revenue of $2,470,709 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
Differences between projected and actual earnings on plan investments	$ 3,641,321	$ -
Differences between expected and actual experience	270,489	4,323,081
Changes in assumptions	14,948,083	-
Changes in proportion and differences between District contributions and proportionate share of contributions	8,049,504	7,859,239
District contributions subsequent to the measurement date	14,254,730	-
Total	$ 41,164,127	$ 12,182,320

The $14,254,730 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	$ 4,479,196	$ 2,968,358
2023	7,943,355	2,664,652
2024	9,183,491	2,117,721
2025	3,900,437	2,122,467
2026	701,460	2,095,577
2027	701,458	213,545
Total	$ 26,909,397	$ 12,182,320

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 231,601,966	$ 153,291,409	$ 88,635,017

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (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 death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were $8,188,828 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of $80,165,517 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.261 percent, which was an increase of 0.016 percent from its proportion measured as of June 30, 2019.

NOTE 11 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2021, the District recognized pension expense of $18,048,712. 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
Differences between projected and actual earnings on plan investments	$ 1,668,791	$ -
Differences between expected and actual experience	3,975,964	-
Changes in assumptions	293,970	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,731,603	471
District contributions subsequent to the measurement date	8,188,828	-
Total	$ 17,859,156	$ 471

The $8,188,828 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	$ 3,711,529	$ 471
2023	2,831,209	-
2024	2,330,706	-
2025	796,884	-
Total	$ 9,670,328	$ 471

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the 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 that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects 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 geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.
**An expected inflation of 2.92% used for this period.

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 115,252,550	$ 80,165,517	$ 51,045,041

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

C. Construction Commitments

As of June 30, 2021, the District had commitments with respect to unfinished capital projects of $2,561,246.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) the Protected Insurance Program for Schools (PIPS) and the Southern California Relief Property and Liability Insurance (SCR). The relationship between the District and the JPA's is such that the JPA's are not component units of the District.

The JPA's arrange for and provide for various types of insurances for its member districts as requested. The JPA's are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA's, including 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 proportionate to their participation in the JPA's.

Combined condensed unaudited financial information of the District's share of the Southern California Relief Property and Liability Insurance JPA and the Protected Insurance Program for Schools (PIPS) for the year ended June 30, 2021 can be obtained by contacting Keenan & Associates located at P.O. Box 4328, Torrance, California 90510.

Financial information on the District's share of the other JPA's for the year ended June 30, 2021 was not available at the time this report was issued. The information can be obtained by contacting the JPA's directly.

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss and its self-insured dental plan.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of $420,431 is included in accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2021 are indicated below:

	Total
Liability Balance, July 01, 2020	$ 428,977
Claims & changes in estimates	(1,298,758)
Claims payments	1,290,212
Liability Balance, June 30, 2021	$ 420,431

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflows or inflows of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflows or inflows of resources are recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2021, total deferred outflows related to the refunded debt was $2,450,003 and the total deferred inflows related to the refunded debt was $246,023.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2021, total deferred outflows related to pensions was $59,023,283 and total deferred inflows related to pensions was $12,182,791.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2021, total deferred outflows related to other postemployment benefits was $5,227,789 and total deferred inflows related to other postemployment benefits was $9,823,195.

NOTE 16 – SUBSEQUENT EVENTS

Starting in the 2021-22 fiscal year, the District will be opening a K-12 dependent charter school, Bostonia Global Academy. As a dependent charter school, Bostonia is governed by the District's Board of Trustees, but will be direct-funded (Education Code Section 47651).

NOTE 17 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The beginning net position for Governmental Activities and the beginning fund balance for the Student Activity Fund have been restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. Based on the clarifications provided by GASB Statement No. 84 and California Education Code regarding associated student body (ASB) accounts, it has been determined that the District's ASB accounts are not considered fiduciary because they do not meet the criteria established by GASB Statement No. 84, paragraph 11(c)(2) regarding administrative involvement. The effect on beginning balances is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ (15,062,162)
Restatement	123,221
Net Position - Beginning, as Restated	$ (14,938,941)

	Student Activity Fund
Fund Balance - Beginning, as Previously Reported	$ -
Restatement	123,221
Fund Balance - Beginning, as Restated	$ 123,221

REQUIRED SUPPLEMENTARY INFORMATION

CAJON VALLEY UNION SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 159,048,974	$ 158,505,877	$ 158,530,186	$ 24,309
Federal sources	407,533	45,692,680	41,592,211	(4,100,469)
Other state sources	2,957,156	28,239,935	23,249,603	(4,990,332)
Other local sources	3,074,595	19,314,265	21,429,003	2,114,738
Total Revenues	165,488,258	251,752,757	244,801,003	(6,951,754)
EXPENDITURES				
Certificated salaries	63,974,303	91,078,585	91,331,420	(252,835)
Classified salaries	20,778,058	40,756,305	40,790,393	(34,088)
Employee benefits	31,192,285	58,573,947	56,520,812	2,053,135
Books and supplies	3,639,243	15,473,092	8,635,976	6,837,116
Services and other operating expenditures	12,042,593	25,490,940	22,386,073	3,104,867
Capital outlay	291,617	8,319,770	3,638,528	4,681,242
Other outgo				
Excluding transfers of indirect costs	-	1,291,158	1,299,879	(8,721)
Transfers of indirect costs	(2,927,942)	(506,790)	(361,860)	(144,930)
Total Expenditures	128,990,157	240,477,007	224,241,221	16,235,786
Excess (Deficiency) of Revenues				
Over Expenditures	36,498,101	11,275,750	20,559,782	9,284,032
Other Financing Sources (Uses)				
Transfers in	18,500	18,500	5,768	(12,732)
Transfers out	(1,741,907)	(1,041,907)	(2,545,715)	(1,503,808)
Net Financing Sources (Uses)	(1,723,407)	(1,023,407)	(2,539,947)	(1,516,540)
NET CHANGE IN FUND BALANCE	34,774,694	10,252,343	18,019,835	7,767,492
Fund Balance - Beginning	47,010,260	47,010,260	47,010,260	-
Fund Balance - Ending	$ 81,784,954	$ 57,262,603	$ 65,030,095	$ 7,767,492

* Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying notes to required supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability				
Service cost	$ 3,128,235	$ 3,146,966	$ 3,242,033	$ 3,135,428
Interest on total OPEB liability	1,637,802	1,956,155	1,893,208	1,798,093
Difference between expected and actual experience	(1,626,361)	(9,061,044)	(1,925,272)	-
Changes of assumptions	1,942,622	2,479,626	(402,339)	-
Benefits payments	(2,085,660)	(2,729,335)	(2,280,649)	(2,204,590)
Net change in total OPEB liability	2,996,638	(4,207,632)	526,981	2,728,931
Total OPEB liability - beginning	49,900,221	54,107,853	53,580,872	50,851,941
Total OPEB liability - ending	$ 52,896,859	$ 49,900,221	$ 54,107,853	$ 53,580,872
Covered-employee payroll	$ 126,014,000	$ 122,830,000	$ 114,650,000	$ 113,000,000
District's total OPEB liability as a percentage of covered-employee payroll	41.98%	40.63%	47.19%	47.42%

See accompanying notes to required supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.158%	0.154%	0.153%	0.144%	0.141%	0.144%	0.144%
District's proportionate share of the net pension liability	$ 153,291,409	$ 139,255,964	$ 140,686,634	$ 133,314,900	$ 113,997,545	$ 96,947,587	$ 83,930,352
State's proportionate share of the net pension liability associated with the District	79,021,100	75,974,039	80,846,908	79,167,786	65,212,213	51,619,490	51,103,201
Total	$ 232,312,509	$ 215,230,003	$ 221,533,542	$ 212,482,686	$ 179,209,758	$ 148,567,077	$ 135,033,553
District's covered payroll	$ 86,995,488	$ 83,691,370	$ 81,293,628	$ 76,219,730	$ 70,026,207	$ 66,545,835	$ 63,641,612
District's proportionate share of the net pension liability as a percentage of its covered payroll	176.2%	166.4%	173.1%	174.9%	162.8%	145.7%	131.9%
Plan fiduciary net position as a percentage of the total pension liability	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.261%	0.245%	0.235%	0.228%	0.221%	0.214%	0.215%
District's proportionate share of the net pension liability	$ 80,165,517	$ 71,408,182	$ 62,517,351	$ 54,512,695	$ 43,714,141	$ 31,532,006	$ 24,400,237
District's covered payroll	$ 38,102,157	$ 34,127,561	$ 31,263,260	$ 29,328,348	$ 26,803,139	$ 23,789,294	$ 22,599,266
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.4%	209.2%	200.0%	185.9%	163.1%	132.5%	108.0%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying notes to required supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 14,254,730	$ 14,805,876	$ 13,624,955	$ 11,748,593	$ 9,588,442	$ 7,513,812	$ 5,909,270
Contributions in relation to the contractually required contribution*	(14,254,730)	(14,805,876)	(13,624,955)	(11,748,593)	(9,588,442)	(7,513,812)	(5,909,270)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 88,213,459	$ 86,995,488	$ 83,691,370	$ 81,417,831	$ 76,219,730	$ 70,026,207	$ 66,545,835
Contributions as a percentage of covered payroll	16.16%	17.02%	16.28%	14.43%	12.58%	10.73%	8.88%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 8,188,828	$ 7,479,215	$ 6,203,812	$ 4,907,239	$ 4,073,121	$ 3,175,368	$ 2,800,238
Contributions in relation to the contractually required contribution*	(8,188,828)	(7,479,215)	(6,203,812)	(4,907,239)	(4,073,121)	(3,175,368)	(2,800,238)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 39,003,899	$ 38,102,157	$ 34,127,561	$ 31,596,413	$ 29,328,348	$ 26,803,139	$ 23,789,294
Contributions as a percentage of covered payroll	20.99%	19.63%	18.18%	15.53%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule
This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios
This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms
There were no changes in benefit terms since the previous valuation.

Changes in Assumptions
The discount rate has changed since the prior measurement date from 3.15% to 2.66%. Additionally, the healthcare cost trend rate changed from 6.50% to 6.00% since the prior measurement date.

Schedule of the District's Proportionate Share of the Net Pension Liability
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms
There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions
There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund			
Certificated salaries	$ 91,078,585	$ 91,331,420	$ 252,835
Classified salaries	$ 40,756,305	$ 40,790,393	$ 34,088
Other outgo			
Excluding transfers of indirect costs	$ 1,291,158	$ 1,299,879	$ 8,721

SUPPLEMENTARY INFORMATION

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 6,998,033
Comprehensive Support and Improvement for LEAs	84.010	15438	46,212
Subtotal Title I, Part A			7,044,245
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	530,957
Title III, English Learner Student Program	84.365	14346	841,025
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	730,946
Special Education Cluster **[1]**			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,411,549
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	175,016
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	235,162
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,865
Subtotal Special Education Cluster			3,823,592
IDEA Early Intervention Grants, Part C	84.181	23761	26,670
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: **[1]**			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	10147	867,872
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	9,585,031
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D	15559	21,482
Elementary and Secondary School Emergency Relief III (ESSER III) Fund; Learning Loss	84.425U	10155	159,921
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	1,089,951
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	576,922
Subtotal Education Stabilization Fund Discretionary Grants			12,301,179
Total U. S. Department of Education			25,298,614
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	4,027,069
School Breakfast Program - Needy	10.553	13526	2,012,214
Meal Supplements	10.555	*	105,295
USDA Commodities **[2]**	10.555	*	414,940
Subtotal Child Nutrition Cluster			6,559,518
Total U. S. Department of Agriculture			6,559,518
U. S. DEPARTMENT OF THE INTERIOR:			
Direct Program:			
Wild Life Restoration	15.611	*	12,915
Total U. S. Department of the Interior			12,915
U. S. ENVIRONMENTAL PROTECTION AGENCY:			
Direct Program:			
National Clean Diesel Emissions Reduction	66.039	*	25,000
Total U. S. Environmental Protection Agency			25,000
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Education:			
Federal Alternative Payment, STAGE 2 (Contract Prefix C2AP)	93.575	15555	143,325
Total U. S. Department of Health & Human Services			143,325
U. S. DEPARTMENT OF THE TREASURY:			
Passed through California Department of Education:			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation **[1]**	21.019	25516	11,324,311
Total U. S. Department of the Treasury			11,324,311
Total Federal Expenditures			$ 43,363,683

[1] - Major Program
[2] - In-Kind Contribution
***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021

Grade Level	2020-21 Planned Number of Days	2020-21 Actual Number of Days	Credited Days Per the Approved Form J-13A*	Status
Kindergarten	180	178	2	Complied
Grade 1	180	178	2	Complied
Grade 2	180	178	2	Complied
Grade 3	180	178	2	Complied
Grade 4	180	178	2	Complied
Grade 5	180	178	2	Complied
Grade 6	180	179	1	Complied
Grade 7	180	179	1	Complied
Grade 8	180	179	1	Complied

*The District received an approved Form J-13A for two instructional days at Jamacha Elementary School. Additionally, the District received an approved Form J-13A for one instructional day at Hillsdale Middle School, Rancho San Diego Elementary School, and Vista Grande Elementary School.

See accompanying note to supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

	2022 (Budget)	2021	2020	2019
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 228,549,205	$ 244,806,771	$ 215,422,014	$ 216,589,270
Expenditures And Other Financing Uses	233,686,481	226,786,936	212,652,508	212,545,917
Net change in Fund Balance	$ (5,137,276)	$ 18,019,835	$ 2,769,506	$ 4,043,353
Ending Fund Balance	$ 59,892,819	$ 65,030,095	$ 47,010,260	$ 44,240,754
Available Reserves*	$ 49,868,942	$ 33,567,505	$ 22,138,146	$ 35,467,029
Available Reserves As A Percentage Of Outgo	21.34%	14.80%	10.41%	16.69%
Long-term Liabilities	$ 481,495,197	$ 493,719,508	$ 475,120,001	$ 475,902,762
Average Daily Attendance At P-2***	14,110	15,656	15,656	15,910

The General Fund ending fund balance has increased by $20,789,341 over the past two years. The fiscal year 2021-22 budget projects a decrease of $5,137,276. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term obligations have increased by $17,816,746 over the past two years.

Average daily attendance has decreased by 254 over the past two years. An additional decrease of 1,546 ADA is anticipated during the 2021-22 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

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

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

CAJON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Reserve Fund for Postemployment Benefits
June 30, 2021, annual financial and budget report fund balance	$ 65,030,095	$ 7,262,668
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	7,262,668	(7,262,668)
Net adjustments and reclassifications	7,262,668	(7,262,668)
June 30, 2021, audited financial statement fund balance	$ 72,292,763	$ -

See accompanying note to supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2021

Charter #	Charter School	Status	Included in Audit Report
0683	EJE Elementary Academy Charter School	Active	No
1063	EJE Middle Academy Charter School	Active	No
2054	Kidinnu Academy Charter School	Active	No

See accompanying note to supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS						
Cash and investments	$ 95,360	$ 330,445	$ 1,837,666	$ 1,228,188	$ 5,794,851	$ 9,286,510
Accounts receivable	-	247,106	1,786,763	1,870	10,137	2,045,876
Due from other funds	-	-	-	-	1,000,000	1,000,000
Stores inventory	-	-	261,495	-	-	261,495
Total Assets	$ 95,360	$ 577,551	$ 3,885,924	$ 1,230,058	$ 6,804,988	$ 12,593,881
LIABILITIES						
Accrued liabilities	$ -	$ 29,423	$ 1,165,182	$ 159,750	$ 1,871	$ 1,356,226
Due to other funds	-	124,594	1,101,094	-	-	1,225,688
Unearned revenue	-	-	21,619	-	-	21,619
Total Liabilities	-	154,017	2,287,895	159,750	1,871	2,603,533
FUND BALANCES						
Non-spendable	-	-	261,495	-	-	261,495
Restricted	95,360	423,534	1,336,534	1,070,308	6,803,117	9,728,853
Total Fund Balances	95,360	423,534	1,598,029	1,070,308	6,803,117	9,990,348
Total Liabilities and Fund Balance	$ 95,360	$ 577,551	$ 3,885,924	$ 1,230,058	$ 6,804,988	$ 12,593,881

See accompanying note to supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES						
Federal sources	$ -	$ 143,325	$ 7,136,441	$ -	$ -	$ 7,279,766
Other state sources	-	2,498,472	580,241	-	-	3,078,713
Other local sources	18,811	5,704	116,721	645,067	77,481	863,784
Total Revenues	18,811	2,647,501	7,833,403	645,067	77,481	11,222,263
EXPENDITURES						
Current						
Instruction	-	1,972,567	-	-	-	1,972,567
Instruction-related services						
Instructional supervision and administration	-	253,109	-	-	-	253,109
School site administration	-	179,811	-	-	-	179,811
Pupil services						
Food services	-	-	7,916,607	-	-	7,916,607
General administration						
All other general administration	-	104,872	256,987	5,100	-	366,959
Plant services	-	-	55,474	7,010	-	62,484
Facilities acquisition and maintenance	-	-	-	588,209	1,443,298	2,031,507
Ancillary services	46,672	-	-	-	-	46,672
Debt service						
Principal	-	-	-	-	546,107	546,107
Interest and other	-	-	-	-	9,104	9,104
Total Expenditures	46,672	2,510,359	8,229,068	600,319	1,998,509	13,384,927
Excess (Deficiency) of Revenues Over Expenditures	(27,861)	137,142	(395,665)	44,748	(1,921,028)	(2,162,664)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	1,390,000	1,390,000
Transfers out	-	-	(5,768)	-	-	(5,768)
Net Financing Sources (Uses)	-	-	(5,768)	-	1,390,000	1,384,232
NET CHANGE IN FUND BALANCE	(27,861)	137,142	(401,433)	44,748	(531,028)	(778,432)
Fund Balance - Beginning, as Restated	123,221	286,392	1,999,462	1,025,560	7,334,145	10,768,780
Fund Balance - Ending	$ 95,360	$ 423,534	$ 1,598,029	$ 1,070,308	$ 6,803,117	$ 9,990,348

See accompanying note to supplementary information.

CAJON VALLEY UNION SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2021

The Cajon Valley Union School District was established in 1920 and is comprised of an area of approximately 66.3 square miles located in eastern San Diego County. There were no changes in the boundaries of the District during the current year. The District operates nineteen elementary schools, six middle schools, one early childhood school, one home school, one community day school, and twelve state preschools.

GOVERNING BOARD

Member	Office	Term Expires
Tamara Otero	President	December 2022
James P. Miller Jr.	Vice President	December 2024
Karen Clark-Mejia	Clerk	December 2024
Jill D. Barto	Member	December 2022
Jo Alegria	Member	December 2022

DISTRICT ADMINISTRATORS

David Miyashiro, Ed.D
Superintendent

Karen Minshew
Assistant Superintendent
Educational Services

Michelle Hayes
Assistant Superintendent
Personnel Services

Scott Buxbaum
Assistant Superintendent
Business Services

Jonathon Guertin
Chief Technology Officer
Technology Services

Ed Hidalgo
Chief Innovation and
Engagement Officer

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2021 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2021.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 48,871,977
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	(1,829,829)
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	(3,633,832)
Governor's Emergency Education Relief (GEER) Fund	84.425C	(44,633)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 43,363,683

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

Combining Statements – Non-Major Funds
These statements provide information on the District’s non-major funds.

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

OTHER INDEPENDENT AUDITORS' REPORTS

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

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*

Independent Auditors' Report

Governing Board
Cajon Valley Union School District
El Cajon, 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 Cajon Valley Union School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cajon Valley Union School District's basic financial statements, and have issued our report thereon dated January 19, 2022.

Internal Control over Financial Reporting

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

348 Olive Street
San Diego, CA
92103
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F: 619-260-9085
christywhite.com

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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 19, 2022

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Cajon Valley Union School District
El Cajon, California

Report on Compliance for Each Major Federal Program

We have audited Cajon Valley Union 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 Cajon Valley Union School District's major federal programs for the year ended June 30, 2021. Cajon Valley Union School District's major federal programs are identified in the summary of auditor's 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 Cajon Valley Union 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 Cajon Valley Union 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 Cajon Valley Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Cajon Valley Union 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.

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Report on Internal Control Over Compliance

Management of Cajon Valley Union 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 Cajon Valley Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cajon Valley Union 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Christy White, Inc.

San Diego, California
January 19, 2022

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Cajon Valley Union School District
El Cajon, California

Report on State Compliance

We have audited Cajon Valley Union School District's compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Cajon Valley Union School District's state programs for the fiscal year ended June 30, 2021, as identified below.

Management's Responsibility

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 Cajon Valley Union School 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 *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to 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 Cajon Valley Union 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 with the requirements referred to above. However, our audit does not provide a legal determination of Cajon Valley Union School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Cajon Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2021-001. Our opinion on state compliance is not modified with respect to these matters.

Cajon Valley Union School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Cajon Valley Union 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.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study-Course Based; for charter schools	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
January 19, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAJON VALLEY UNION SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

AL Number(s)	Name of Federal Program or Cluster
84.425, 84.425C, 84.425D, 84.425U	Education Stabilization Fund Discretionary Grants
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,300,910
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2021.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2021.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2021-001: KINDERGARTEN CONTINUANCE (40000)

Criteria: Pupils enrolled in kindergarten for consecutive years should have a signed parental agreement to continue form, approved in form and content by the California Department of Education. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil's first day of kindergarten per sections 14502.1, 14503 and 41020 of California Education Code. Additionally, students who are age-eligible to attend kindergarten but choose to enroll in transitional kindergarten should have a signed kindergarten continuance form on file verifying that the parent/guardian agrees to have their student continue in kindergarten for one additional year.

Condition: During our review of kindergarten students enrolled at Fuerte Elementary School that turned six years old prior to September 1, 2020, we noted two students that were age-eligible to attend kindergarten but chose to enroll in transitional kindergarten for 2019-20 and attend kindergarten for one additional year in 2020-21. In both instances, the student did not have a completed kindergarten continuance form on file.

Effect: The District is noncompliant with the criteria outlined above.

Cause: Administrative oversight.

Questioned Costs: Based on review of the 2020-21 EAAP K-12 State Audit Guide, there are no questioned costs or units of ADA to be reported in relation to this finding.

Repeat Finding: This is not a repeat finding.

Recommendation: All students continuing kindergarten after one year of enrollment who are age eligible need a completed and signed parental agreement form in order for the pupil to continue kindergarten. Additionally, the District should implement procedures to verify that students who are age-eligible to attend kindergarten but choose to enroll in transitional kindergarten have a signed kindergarten continuance form on file to confirm that the parent/guardian agrees to have their student continue in kindergarten for more than a year.

Corrective Action Plan: To ensure a signed kindergarten continuance form is on file for all appropriate students, the district has a nightly audit process in the SIS system which checks for TK-K enrollment grade level discrepancies. The prior resolution process included verifying the kindergarten retention was intentional and advising the school staff to complete a Kindergarten Retention form. The procedure has been updated to include requiring the staff to upload the signed Kindergarten Retention form into the SIS system. The audit process has been updated to check for an uploaded form for any student repeating Kindergarten that was not an age-eligible TK student in the prior year. A form will need to be uploaded for any errors that are returned to be resolved, which will help ensure that all Kindergarten Continuance forms are on file.

FINDING #2020-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

Condition: In one (1) out of six SARCs included in the representative sample, we found that the 2018-19 SARC that was published in the 2019-20 fiscal year included information reported under the School Facility Conditions and Planned Improvements (Most Recent Year) section that was not accurately supported by the most recently completed FIT form. This condition was noted for the Interior Surfaces component of the SARC for Los Coches Creek Middle School as the SARC indicated “Good” condition while the FIT form indicated “Fair” condition.

Effect: The District is not in compliance with the related sections of California Education Code.

Cause: Administrative oversight.

Questioned Costs: None. There is no funding source directly related to SARCs.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement procedures to ensure that all information presented on the SARCs is contemporaneous and complete.

Corrective Action Plan: In order to ensure accuracy in our Facilities Inspection Tool (FIT) and our School Accountability Report Cards (SARC), Cajon Valley will be implementing additional reviews and audits throughout the process. Within our Maintenance and Operations department, both clerical and administrative staff will review completed FITs for accuracy, with a focus on verifying scoring. All staff that completes the Facilities Inspection Tool (FIT) will be trained on calculating scores and assigning correct ratings, “Good”, “Fair”, and “Poor”. Our Data and Assessment Technician will complete an additional audit as part of our School Accountability Report Card (SARC) data collection to verify that all scoring has been correctly calculated and labeled. In addition, our Data and Assessment Technician will collect corrective actions for any Facilities Inspection Tool (FIT) ratings below “Good” to be reported on the School Accountability Report Cards (SARC).

Current Status: Implemented

FINDING #2020-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. In addition, students classified as English learners (EL) must have supporting documentation to indicate that the student is appropriately classified as EL. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: One (1) out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as only FRPM and non-EL did not have appropriate supporting documentation on file to justify the FRPM designation. Auditors extrapolated the respective error rate across the respective populations to determine a total adjustment of 42 unduplicated pupil counts.

Effect: The District is not in compliance with applicable State requirements.

Cause: Misclassification of students in the student information system from which CALPADS reporting is derived.

Questioned Costs: $23,432, as calculated below.

1	Total Adjusted Enrollment from the UPP exhibit as of P-2		49,681
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2		35,088
3	Audit Adjustment - Number of Enrollment		-
4	Audit Adjustment - Number of Unduplicated Pupil Count		(42)
5	Revised Adjusted Enrollment		49,681
6	Revised Adjusted Unduplicated Pupil Count		35,046
7	UPP calculated as of P-2		0.7063
8	Revised UPP for audit finding		0.7054
9	Charter Schools Only: Determinative School District Concentration Cap		-
10	Revised UPP adjusted for Concentration Cap		0.7054
11	Supplemental and Concentration Grant TK/K–3 ADA		7,170.72
12	Supplemental and Concentration Grant 4–6 ADA		5,152.01
13	Supplemental and Concentration Grant 7–8 ADA		3,593.48
14	Supplemental and Concentration Grant 9–12 ADA		-
15	Adjusted Base Grant per TK/K–3 ADA	$	8,503
16	Adjusted Base Grant per 4–6 ADA	$	7,818
17	Adjusted Base Grant per 7–8 ADA	$	8,050
18	Adjusted Base Grant per 9–12 ADA	$	9,572
19	Supplemental Grant Funding calculated as of P-2	$	18,389,024
20	Revised Supplemental Grant Funding for audit finding	$	18,365,592
21	Supplemental Grant Funding audit adjustment	$	(23,432)
22	Concentration Grant Funding calculated as of P-2	$	-
23	Revised Concentration Grant Funding for audit finding	$	-
24	Concentration Grant Funding audit adjustment	$	-
25	Total Supplemental and Concentration audit adjustment	$	(23,432)

(continued on the following page)

FINDING #2020-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District ensure that there are proper controls over FRPM and EL designations in the student information system in order to strengthen the accuracy of CALPADS reporting. This includes performing periodic reviews of system data for errors or irregularities.

Corrective Action Plan: The District has implemented the following procedure to ensure that students are designated appropriately in the student information system and therefore reported accurately in CALPADS:

Beginning in fiscal year 2020-21, the FRPM designation is determined by one person and then reviewed by a second person to verify accuracy of the designation prior to entering into the student information system. Any issues with determining eligibility based on the documentation is reviewed by the Director of Fiscal Services. The Information Technology Department reviews the system data prior to any CALPADS certifications for irregularities between CALPADS and the student information system.

The District will report a School District Audit Adjustment to CALPADS Data in the 2019-20 Principal Apportionment Data Collection Software in Annual mode.

Current Status: Implemented

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF EL CAJON AND SAN DIEGO COUNTY

*The Bonds are not a debt of the City of El Cajon (the "**City**") or San Diego County (the **"County"**). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

General

The City. The City is located 17 miles east of the City of San Diego. The City has a total area of approximately 14.4 square miles and has an estimated population of 103,243 as of January 1, 2021.

Nestled in a valley surrounded by mountains, the City has acquired the nickname of "The Big Box". Its name originated similarly, from the Spanish phrase "el cajón," which means "the big box" or "the drawer." The City was incorporated as a city in 1912. Until 2012, the City was a general law city operating under a council-manager system. In June 2012, the voters adopted a city charter, changing its status to chartered city. The City is governed by a mayor and a five-member city council.

The County. The County is the southernmost major metropolitan area in the State. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the border with Mexico to Orange County, and inland 75 miles to Imperial County. The County is approximately the size of the State of Connecticut.

The County possesses a diverse economic base consisting of electronics manufacturing and shipbuilding, tourism, biotech and software development, and defense-related industries. The County is also growing as a center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County.

The County was incorporated on February 18, 1850 and functions under a charter adopted in 1933, and is amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. Elected officials include the Assessor/County Clerk/Recorder, District Attorney, Sheriff and Treasurer/Tax Collector.

Population

The following sets forth population estimates for the County and the cities in the County, as of January 1, for the years 2018 to 2022.

CITY OF EL CAJON AND SAN DIEGO COUNTY
Estimated Population
(As of January 1)

	2018	2019	2020	2021	2022
Carlsbad	113,994	113,986	114,664	115,680	115,585
Chula Vista	268,588	271,362	273,384	276,922	276,785
Coronado	21,416	23,880	21,422	22,611	22,277
Del Mar	4,289	4,288	4,271	3,957	3,929
El Cajon	**103,954**	**103,741**	**103,576**	**106,447**	**105,638**
Encinitas	62,394	62,296	62,243	61,724	61,515
Escondido	151,068	151,311	151,803	151,389	150,679
Imperial Beach	27,599	27,869	27,978	26,448	26,243
La Mesa	60,057	59,833	59,621	60,608	60,472
Lemon Grove	26,575	26,515	26,432	27,422	27,242
National City	62,673	62,701	62,496	61,755	61,471
Oceanside	176,569	177,365	176,969	173,932	173,048
Poway	49,518	49,343	49,096	48,850	48,759
San Diego	1,416,956	1,421,675	1,421,462	1,371,832	1,374,790
San Marcos	95,032	96,865	97,281	92,958	93,585
Santee	56,450	57,308	57,430	59,146	59,015
Solana Beach	13,866	13,876	13,872	12,909	12,812
Vista	102,498	102,277	102,570	99,536	100,291
Balance Of County	507,622	506,828	504,709	514,377	513,170
County Total	**3,321,118**	**3,333,319**	**3,331,279**	**3,288,503**	**3,287,306**

Source: State of California Department of Finance, Demographic Research Unit.

Employment and Industry

The City is included in the San Diego-Carlsbad Metropolitan Statistical Area ("**MSA**"), which includes all of the County. The unemployment rate in the County was 3.1% in July 2022, down from a revised 3.2% in June 2022, and below the year-ago estimate of 6.9%. This compares with an unadjusted unemployment rate of 3.9% for California and 3.8% for the nation during the same period.

Set forth below is data from 2017 to 2021, reflecting the County's civilian labor force, employment and unemployment.

SAN DIEGO-CARLSBAD MSA
(San Diego County)
Annual Average Civilian Labor Force, Employment and Unemployment,
Unemployment by Industry
(March 2021 Benchmark)

	2017	2018	2019	2020	2021
Civilian Labor Force [(1)]	1,570,800	1,579,600	1,582,900	1,542,000	1,543,700
Employment	1,507,200	1,526,100	1,531,000	1,395,700	1,443,800
Unemployment	63,600	53,500	51,800	146,200	99,900
Unemployment Rate	4.0%	3.4%	3.3%	9.5%	6.5%
Wage and Salary Employment: [(2)]					
Agriculture	8,700	9,300	9,700	9,200	8,800
Mining and Logging	300	400	400	300	300
Construction	79,500	83,700	84,000	81,300	83,400
Manufacturing	109,400	112,300	115,700	113,800	114,100
Wholesale Trade	43,800	43,800	44,000	41,300	41,700
Retail Trade	148,900	147,900	145,600	133,200	137,800
Transportation, Warehousing and Utilities	32,000	33,300	34,300	33,300	36,800
Information	23,400	23,600	23,500	22,100	22,200
Finance and Insurance	46,300	46,700	46,400	46,200	46,500
Real Estate and Rental and Leasing	28,400	29,300	30,200	28,600	28,900
Professional and Business Services	239,100	249,000	255,800	248,300	264,900
Educational and Health Services	204,300	208,900	216,600	210,900	215,700
Leisure and Hospitality	195,600	199,600	201,700	144,800	161,600
Other Services	55,000	55,500	56,400	44,800	47,300
Federal Government	46,900	47,100	47,600	48,600	47,700
State Government	49,300	50,700	50,400	48,200	50,300
Local Government	150,100	150,300	150,600	140,200	139,400
Total, All Industries [(3)]	1,460,900	1,491,400	1,512,800	1,394,900	1,447,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The largest manufacturing and non-manufacturing employers as of September 2022 in the County are shown below, in alphabetical order.

SAN DIEGO COUNTY
Largest Employers
September 2022

Employer Name	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Ceasar Entertainment	Valley Center	Restaurants
Employees'association-Sdg-E	San Diego	Gas Companies
General Dynamics NASSCO	San Diego	Ship Builders & Repairers (mfrs)
Illumina Inc	San Diego	Biotechnology Products & Services
Kaiser Permanente Vandever Med	San Diego	Physicians & Surgeons
MCCS MCRD SN DIEGO-MRNE CORPS	San Diego	Military Bases
Merchants Building Maintenance	San Diego	Janitor Service
Page One Seo	San Diego	Mental Health Services
Palomar Pomerado Health Rehab	Escondido	Rehabilitation Services
Rady Children's Hospital	San Diego	Hospitals
San Diego Community College	San Diego	Junior-Community College-Tech Institutes
San Diego County Sheriff	Santee	Police Departments
Scripps Mercy Hosp Sn Diego	San Diego	Hospitals
Scripps Research Institute	La Jolla	Laboratories-Research & Development
Seaworld San Diego	San Diego	Water Parks
Sharp Grossmont Hospital	La Mesa	Hospitals
Sharp Grossmont Rehab Ctr	La Mesa	Rehabilitation Services
Sharp Mary Birch Hosp	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics	San Diego	Electronic Equipment & Supplies-Retail
UC San Diego Health	San Diego	Health Care Management
Ucsd-Neural Computation	La Jolla	University-College Dept/Facility/Office
University of California	La Jolla	University-College Dept/Facility/Office
University-Calfornia Sn Diego	La Jolla	Schools-Universities & Colleges Academic

Source: California State Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2022 2nd Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

CITY EL CAJON, COUNTY OF SAN DIEGO,
STATE OF CALIFORNIA, AND THE UNITED STATES
Effective Buying Income
2018 through 2022

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2018	City of El Cajon	$2,028,177	$43,984
	San Diego County	96,442,532	61,649
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of El Cajon	$2,139,022	$46,095
	San Diego County	102,896,146	65,279
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of El Cajon	$2,306,839	$49,208
	San Diego County	108,796,519	68,543
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of El Cajon	$2,355,813	$50,963
	San Diego County	111,133,834	70,396
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of El Cajon	$2,724,596	$59,586
	San Diego County	127,272,831	80,233
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448

Source: The Nielsen Company (US), Inc for 2018; Claritas, LLC for 2019 through 2022.

Commercial Activity

Total taxable sales reported during the first quarter of calendar year 2022 in the City were reported to be $641,439,407, a 10.73% increase over the total taxable sales of $579,301,763 reported during the first quarter of calendar year 2021.

CITY OF EL CAJON
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2017	1,548	$1,777,105	2,646	$2,292,445
2018	1,600	1,789,405	2,792	2,329,538
2019	1,578	1,767,768	2,783	2,272,395
2020	1,689	1,640,688	3,031	2,061,686
2021	1,468	1,063,466	2,735	2,544,529

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter of calendar year 2022 in the County were reported to be $18,249,958,963, a 19.92% increase over the total taxable sales of $15,217,945,894 reported during the first quarter of calendar year 2021.

SAN DIEGO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2017	59,798	$39,814,405	97,412	$56,993,548
2018	59,836	41,886,825	100,674	59,041,042
2019	59,447	42,748,210	101,901	61,106,480
2020	62,897	40,893,921	109,428	58,183,067
2021	55,683	48,817,135	93,392	71,588,741

Source: . State Department of Tax and Fee Administration.

Building Activity

The tables below summarize building activity in the City and the County for the past five years.

CITY OF EL CAJON
Building Permit Valuation
(Dollars in thousands)

	2017	2018	2019	2020	2021
Permit Valuation					
New Single-family	$11,469.4	$21,499.0	$39,234.4	$8,458.4	$7,408.6
New Multi-family	0.0	0.0	17,071.0	1,399.7	460.8
Res. Alterations/Additions	3,278.6	6,415.7	3,599.8	9,847.0	9,376.7
Total Residential	14,748.0	27,914.7	59,905.2	19,705.1	17,246.1
New Commercial	15,847.8	12,462.2	1,414.9	5,682.3	7,797.2
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,103.5	5,544.0	1,184.6	5,766.3	1,883.2
Com. Alterations/Additions	7,444.4	6,221.1	13,892.3	3,119.5	11,433.7
Total Nonresidential	24,395.7	24,227.3	16,491.8	14,568.1	21,114.1
New Dwelling Units					
Single Family	40	104	165	45	40
Multiple Family	0	0	93	10	4
TOTAL	40	104	258	55	44

Source: Construction Industry Research Board, Building Permit Summary.

SAN DIEGO COUNTY
Building Permit Valuation
(Dollars in Thousands)

	2017	2018	2019	2020	2021
Permit Valuation:					
New Single-family	$1,378,079.4	$1,201,187.4	$1,022,156.9	$880,186.3	$973,581.3
New Multi-family	912,036.6	992,359.0	668,849.0	1,131,395.7	1,359,647.5
Res. Alterations/Additions	342,709.7	480,327.0	393,649.1	636,336.6	277,526.0
Total Residential	2,632,825.7	2,673,873.4	2,084,655.0	2,647,918.6	2,610,754.8
New Commercial	770,075.8	510,108.1	861,274.4	614,392.2	667,257.7
New Industrial	68,351.7	25,882.0	40,892.2	39,461.0	125,420.1
New Other	443,191.1	239,647.3	223,176.2	348,381.2	351,379.6
Com. Alterations/Additions	1,089,684.1	1,126,206.2	1,234,198.2	971,565.6	1,1361,364.4
Total Nonresidential	2,371,302.7	1,901,843.6	2,359,541.0	1,973,800.0	12,505,421.8
New Dwelling Units					
Single Family	3,960	3,438	3,045	3,160	3,546
Multiple Family	6,056	6,132	4,405	6,326	6,646
TOTAL	10,016	9,570	7,450	9,486	10,192

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles Area and points north. Interstate 15 runs inland, leading the Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 20 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County, including McClellan-Palomar Airport in El Cajon.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Governing Board
Cajon Valley Union School District
750 E. Main Street
El Cajon, CA 92020

OPINION: $25,795,000 Cajon Valley Union School District (San Diego County, California) 2022 General Obligation Refunding Bonds

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Members of the Governing Board:

We have acted as bond counsel to the Cajon Valley Union School District (the "District") in connection with the issuance by the District of $25,795,000 principal amount of Cajon Valley Union School District (San Diego County, California) 2022 General Obligation Refunding Bonds (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and a resolution of the Board adopted on August 9, 2022 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of San Diego is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District

subject to taxation by the District, without limitation as to rate or amount (except for certain personal property, which is taxable at limited rates).

4. The 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. It should be noted however that for tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, 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 covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$25,795,000
CAJON VALLEY UNION SCHOOL DISTRICT
(San Diego County, California)
2022 General Obligation Refunding Bonds

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Cajon Valley Union School District (the "**District**") in connection with the execution and delivery of the captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Governing Board of the District on August 9, 2022 (the "**Resolution**"). The County of San Diego (the "**County**")Treasurer-Tax Collector, through its agent, U.S. Bank Trust Company, National Association, California, is initially acting as paying agent for the Bonds (the "**Paying Agent**"). The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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 2, 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 not later than nine months after the end of each fiscal year of the District (currently June 30th), or March 31.

"*Dissemination Agent*" means initially Dale Scott & Company, Inc., or any third-party Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*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.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank Trust Company, National Association, Los Angeles, California, as agent for the County Treasurer-Tax Collector, or any successor thereto.

"*Participating Underwriter*" means 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 Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2023 with the report for the 2021-22 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB (currently through its Electronic Municipal Market Access system), 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(a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(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 provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) 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

(ii) 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 to the MSRB.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the most recent available financial information and operating data with respect to the District, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) assessed valuation of taxable properties in the District;

(ii) assessed valuation of properties of the top twenty taxpayers;

(iii) if the District's general obligation bond levies are no longer included in the County of San Diego's Teeter Plan, property tax collection delinquencies for the District, but only if available from the County at the time of filing the Annual Report;

(iv) the District's most recently adopted budget available at the time of filing the Annual Report; and

(v) 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.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material 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 in a timely manner as described in (b) below:

(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 Bondholders, 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 obligated person, 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.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(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.

(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” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the Bonds or the District. 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 it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(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.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

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 financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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 they 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 will 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 Bondholders 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. 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 29, 2022

CAJON VALLEY UNION SCHOOL DISTRICT

By: ______________________________
Superintendent

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT:

DALE SCOTT & COMPANY, INC.

By ______________________________
Authorized Officer

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APPENDIX F

DTC AND THE 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.

None of the District, the Paying Agent or the Underwriter take any responsibility for the information contained in this Section.

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) Bonds 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 (in this Appendix, the "Bonds"). The Bonds 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 Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds 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 District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond 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 District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G

SAN DIEGO COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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SAN DIEGO COUNTY TREASURER'S
POOLED MONEY FUND
INVESTMENT POLICY (AMENDED)

March 1, 2022

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686. Section 53635 shall apply to a local agency that is a county or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. However, Section 53601 shall apply to all local agencies that pool money in deposits or investments exclusively with local agencies that have the same governing body.

The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws, allowing for the dynamics of the money markets, will be the focus of this policy statement. All matters contained in this policy are to be read and applied pursuant to and consistent with state law. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing the Pooled Money Fund (the "Fund") the objectives of this office shall be as follows.

1. **The primary objective shall be to safeguard the principal of the funds under the County Treasurer's control.**

2. **The secondary objective shall be to meet the liquidity needs of the participants.**

3. **The third objective shall be to achieve an investment return on the funds under control of the County Treasurer within the parameters of prudent risk management.**

The Fund is an actively managed portfolio. By this, it is meant that the County Treasurer and staff will observe, review, and adjust to changing conditions that affect the Fund. This shall be viewed as a full-time responsibility by the County Treasurer and staff. The authority to execute investment transactions that will affect the Fund will be limited to:

County Treasurer-Tax Collector
Assistant Treasurer-Tax Collector
Chief Deputy Treasurer
Chief Investment Officer
Investment Officers

The County Treasurer and the above staff will meet on a regular basis to discuss current market conditions and future trends and how each of these affects the Fund.

Government Code Sections 27000.3 and Section 53600.3 provide that the "prudent investor" standard is to be used by the County Treasurer as a fiduciary of public funds. This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the County Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitations of this policy and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law. The County Treasurer and his/her staff shall act in accordance with written procedures and the Investment Policy, exercise due diligence, report in a timely fashion, and implement appropriate controls to mitigate adverse developments.

TABLE OF CONTENTS

SAN DIEGO COUNTY TREASURER INVESTMENT POLICY

**2022 SAN DIEGO COUNTY TREASURER'S
POOLED MONEY FUND INVESTMENT POLICY**

The purpose of the County Treasurer's Investment Policy is to implement the legislated parameters of the investment authority of the Fund. As an elected official of the County of San Diego, the County Treasurer must manage public monies in a way that is consistent with its objectives, investment oversight, and sound investment practices and not solely to maximize returns. The basic concept of investment return is based on a risk/reward relationship: the higher the risk, the higher the expected return. Risk management must be an integral part of any investment policy. Risk management must include adequate internal controls so that Fund depositors and the public have confidence that public monies are secure. The policy stated below will concern itself with risk management.

1. **SECURITY OF PRINCIPAL POLICY** - The policy issues directed to protecting the principal entrusted to this office are:

   A. Limiting the Fund's exposure to each type of security.

   B. Limiting the Fund's exposure to each issuer of debt.

   C. Determining the minimum credit requirement for each type of security.

2. **LIQUIDITY POLICY** - The policy issues directed to provide the necessary liquidity to the participants are:

   A. Limiting the length of maturity for securities in the Fund.

   B. Limiting the Fund's exposure to Moderately Liquid and Illiquid securities.

3. **RETURN POLICY** - The policy issues directed to achieving a return are:

   A. Attaining a market rate of return, while taking into account the investment risk constraints and liquidity needs.

   B. Limiting a majority of the investments to low-risk securities in anticipation of earning a fair return relative to the risk being taken.

4. **MATURITY POLICY**

   A. The maximum maturity allowed by the California Government Code is 5 years, with shorter limitations specified for certain types of securities. The guidelines for maturities of investments and duration of the Fund, as established under this Policy, shall be:
      - At least 35% of the Fund maturing within 1 year
      - At least 15% of the Fund maturing within 90 days, and
      - A maximum effective duration of 2.0 years

B. The Fund will be considered in compliance with the maturity policy if it meets the maturity targets above. In the event that the Fund distribution does not comply with the table above, until such time as the Fund is within maturity targets, all securities purchased shall be of a maturity or duration that will lower the maturity and or duration of the Fund. In the event a compliance violation has occurred, a variance report shall be made to the Oversight Committee as part of the normal monthly reporting.

5. GENERAL STRATEGY

The County Treasurer will generally use a buy and hold investment strategy, where securities are purchased with the intent of holding them to maturity. The investment staff will update the Treasury Oversight Committee on its asset allocation and investment strategy at its regularly scheduled meetings. Securities may be sold prior to maturity when deemed prudent. Reasons for selling include, but are not limited to:

- Disposing of a security with declining credit quality
- A financially advantageous sale and replacement of a security that improves the quality, yield, or target duration of the portfolio
- Meeting the liquidity needs of the portfolio
- Portfolio rebalancing to bring the portfolio back into compliance

6. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) CONSIDERATIONS

While Safety, Liquidity, and Yield remain the Fund's primary investment objectives, all else being equal and acting under statutory investment limitations, the County Treasurer affirms his/her commitment to the consideration of ESG criteria in evaluating securities. Investments in entities that promote environmental stewardship by considering climate change, carbon emissions, pollution, biodiversity, deforestation, and food and water waste are encouraged. The County Treasurer also advocates investments in entities that support labor fairness and equality while opposing discrimination related to sex, race, age, disability, sexual orientation, color, religion, veteran status, genetic information, and other protected classes. Additionally, the County shall not purchase any investments issued directly by a corporation, classified under the Standard Industrial Classification (SIC) codes listed in Appendix C, that engages in the exploration, production, drilling, or refining of coal, petroleum, or natural gas.

7. PROHIBITED SECURITIES

The California Government Code prohibits a local agency from investing in any of the following derivative notes:

- Inverse Floaters
- Range Notes
- Interest-only strips derived from a pool of mortgages
- Any security that could result in zero interest accrual, except for securities issued by, or backed by, the United States government that could result in zero-

or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates

8. CREDIT RATING POLICY

A. This Investment Policy sets forth minimum credit ratings for each type of security. These credit limits apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the policy limits.

B. Minimum credit ratings:

a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "- ") by at least one nationally recognized statistical rating organization (the "NRSRO").

b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

The monitoring of credit ratings consists of the following procedures:

1. When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, the Chief Investment Officer and staff will analyze and evaluate the credit to determine whether to hold or sell the security.

2. In the event a security in the Fund receives a credit rating downgrade which results in a rating below the minimum credit requirement, the Investment Group will report the rating change to the Oversight Committee in the monthly report. In the same manner, the Oversight Committee will be informed on the Investment Group's decision to hold or sell a downgraded security.

3. The Investment Group shall meet at least quarterly to review and update the approved list of securities and establish credit criteria for each category of security.

To ensure that the Fund maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

9. INTERNAL CONTROLS

A. The Chief Deputy Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

1. The cost of a control should not exceed the benefits likely to be derived; and

2. The valuation of costs and benefits requires estimates and judgments by management.

B. Accordingly, the Chief Deputy Treasurer shall establish and maintain internal controls that shall address the following points:

1. Control of Collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer. To achieve a segregation of duties, individuals who authorize investment transactions shall not also record or reconcile said transactions.

2. Clear Delegation of Authority to Subordinate Staff Members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

3. Delivery-Versus-Payment (DVP) - All investment transactions shall be conducted on a delivery-versus-payment basis.

4. Safekeeping and Custody - Securities purchased from any bank or dealer, including appropriate collateral (as defined by California Government Code), that are not insured by the FDIC, shall be placed with an independent third party for custodial safekeeping. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the County's portfolio shall be held in safekeeping in the County's name by a third-party custodian, acting as agent for the County under the terms of a custody agreement executed by the bank and the County. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the County from the custodian listing all securities held in safekeeping with current market data and other information. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

5. Avoidance of Physical Delivered Bearer Securities - Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Bearer securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with such securities.

6. Written Confirmation of Telephone Wire Transfers - Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written or electronic communications and approved by the appropriate person.

7. Development of a Wire Transfer Agreement with the Lead Bank or Third-Party

Custodian - This agreement should outline the various controls, security provisions, and responsibilities of each party making and receiving wire transfers.

8. A treasury operations manual, as overseen by the Chief Deputy Treasurer, will be

9. reviewed and updated by the treasury staff every two years or on an as needed basis.

10. **ANNUAL AUDIT** - The Treasury Oversight Committee shall cause an independent review to be conducted annually on a fiscal year basis by an external auditor to determine if the County Treasury is in compliance with the Investment Policy, other internal policies and procedures, and the California Government Code.

11. **PERMISSIBLE INVESTMENTS** - Government Codes 53601, 53601.1, 53601.2, 53601.8, 53635, 53635.8, 53637, 53638, 53651, 53652, and 53653 address permissible investments. These investment categories are addressed individually in sections 12-29 below.

12. **GOVERNMENT OBLIGATIONS** - The Fund invests in two categories of Government Obligations: U.S. Treasury and Agency obligations. Both are issued at the Federal level. U.S. Treasury obligations are bills, notes, and bonds issued by the Treasury and are direct obligations of the Federal Government. Agency obligations are notes and bonds of federal agencies and government sponsored enterprises, including:

    Federal Agricultural Mortgage Corporation (Farmer Mac)
    Federal National Mortgage Association (FNMA, or Fannie Mae)
    Federal Home Loan Bank (FHLB)
    Federal Farm Credit Bank (FFCB)
    Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac)
    Government National Mortgage Corporation (GNMA, or Ginnie Mae)
    Tennessee Valley Authority (TVA)

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category is unlimited.

C. Maximum Exposure Per Issuer - The maximum exposure to the Fund for an individual issuer shall be:

    1. Treasury - Unlimited

    2. Agency - No more than 35% of the Fund value shall be invested in any single issuer.

D. Minimum Credit Requirement - None

E. Liquidity Category - Liquid

13. **LOCAL AGENCY AND STATE OBLIGATIONS** -These include registered state warrants or treasury notes or bonds of the state of California and registered bonds of any of the other 49 states, 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 and bonds, notes, warrants, or other evidences of indebtedness of a local agency within the state of California, 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.

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.

D. Minimum Credit Requirement - Issuers must be at or above the following ratings:

a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "- ") by at least one NRSRO.

b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

E. Liquidity Category - Moderately Liquid

14. **BANKER'S ACCEPTANCES** - This is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in a secondary market. The purpose of the Banker's Acceptance (BA) is to facilitate trade and provide liquidity to the import-export markets. Acceptances are collateralized by the pledge of documents such as invoices, trust receipts, and other documents evidencing ownership and insurance of the goods financed. Since their inception in 1914, there has been no known loss of principal to investors holding Banker's Acceptances.

A. Maximum Maturity - The maximum maturity of a security shall be 180 days from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

Minimum Credit Requirement – The rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "- ") by at least one NRSRO.

D. Liquidity Category – Liquid

15. **COMMERCIAL PAPER** - These are short-term, unsecured or secured, promissory notes issued by firms in the open market. Commercial paper (CP) is generally backed by a bank credit facility, guarantee/bond of indemnity, some other support agreement, or collateralized by other financial assets.

A. Maximum Maturity - The maximum maturity of a security shall be 270 days from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value, inclusive of any other non-CP investments with said issuer.

D. Minimum Credit Requirements - The Rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "- ") by at least one NRSRO.

E. Liquidity Category - Liquid

16. **MEDIUM-TERM NOTES ("MTN")** - These are corporate notes**,** deposit notes**,** and bank notes sold by an agent in the open market on a continually offered basis. Issuers include well-recognized banks and bank holding companies, thrifts, finance companies, insurance companies, and industrial corporations. These medium-term notes are generally unsecured debt obligations, although some issues come to market on a collateralized or secured basis.

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value, inclusive of any other non-MTN investments with said issuer.

D. Minimum Credit Requirements - Issuers must be at or above the following ratings**:**

a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "- ") by at least one NRSRO.

b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

E. Liquidity Category - Liquid

17. **NEGOTIABLE CERTIFICATES OF DEPOSIT** - These are issued by commercial banks and thrift institutions against funds deposited for specified periods of time, and they earn specified or variable rates of interest. Negotiable certificates of deposit ("NCD") differ from other certificates of deposit by their liquidity. NCD's are traded actively in secondary markets.

A. Maximum Maturity

1. The maximum maturity of an NCD security shall be 5 years from the settlement date.
2. The maximum maturity of any FDIC insured CDs, whether directly placed or placed through a private sector entity, shall be 13 months.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

D. Maximum Exposure per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value, inclusive of any other non-NCD investments with said issuer.

E. Minimum Credit Requirement – Issuers must be at or above the following ratings:

a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "- ") by at least one NRSRO.
b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

F. Liquidity Category - Liquid

18. **REPURCHASE AGREEMENTS** - A repurchase agreement (RP) consists of two simultaneous transactions. One is the purchase of securities by an investor (the Fund); the other is the commitment by the seller (i.e., a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed-upon future date.

A. Maximum Maturity - The maximum maturity of repurchase agreements shall be one year.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.

C. Maximum Exposure Per Broker/Dealer - The maximum exposure to a single broker/dealer shall be 10% of the Fund when the dollar-weighted average maturity is

D. greater than 5 days or 15% of the Fund when the dollar-weighted average maturity is 5 days or less.

E. Eligible Broker/Dealers - Broker/Dealers shall sign a PSA Master Repurchase Agreement or a Tri-Party Repurchase Agreement. The Agreement must specify a minimum margin percentage of 102% and also provide for daily mark-to-market of the collateral by the custodian bank.

F. Eligible Collateral - The securities eligible for repurchase agreement transactions shall be securities authorized in Section 53601 of the California Government Code. Collateral eligible for repurchase agreements maturing from 7 days to 1 year shall be Treasury and Agency obligations.

G. Delivery of Collateral - Broker/Dealers shall deliver the underlying securities to the County's safekeeping bank, a mutually agreed-upon third party custodian bank, or a counterparty bank's customer book-entry account. When a third-party custodian is used, it will be the custodian's responsibility to transfer funds and securities between the broker/dealer and the Fund in accordance with the terms of the repurchase agreement.

H. Liquidity Category - Liquid

19. **REVERSE REPURCHASE AGREEMENTS** - Reverse repurchase agreements (RRPs) are essentially the mirror image of RPs. In this instance, the Fund is the seller of securities, and the broker or bank is the investor.

Due to the nature of RRPs, the policy regarding this instrument is different from the above RP policy.

A. Maximum Maturity - The maximum maturity of a securities lending loan shall be 92 days unless the agreement includes a written guarantee of a minimum earning or spread for the entire period of the RRP.

B. Maximum Exposure of Fund - No more than 20% of the Fund shall be exposed to RRPs and/or securities lending at any one time.

C. Maximum Exposure Per Broker/Dealer – No more than 10% of the Fund shall be invested in RRPs with any one broker/dealer at any one time.

D. Purpose of RRPs - The uses of RRPs shall be to invest the proceeds from the agreement into permissible securities that are in the highest short-term rating category; to supplement the yield on securities owned; or to provide funds for the immediate payment of an obligation. The maturity of the RRP and the maturity of the security purchased shall be the same.

E. Eligible Securities - A RRP may only be entered into with a security authorized in California Government Code 53601 which has been owned and paid for 30 days prior to the settlement of the RRP.

F. Eligible Broker/Dealer - Broker/Dealers shall be primary broker/dealers of the Federal Reserve Bank of New York.

G. Liquidity Category - Liquid

20. **SECURITIES LENDING** - This is a program conducted by an agent authorized to execute securities lending under the guidelines listed under RRPs and as detailed in the "Services for Securities Lending Agreement." A securities lending transaction is when the Fund transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future. The loans must be secured continuously by cash collateral or securities and maintained at a value of at least equal to 102 % of the market value of the securities loaned. During the term of the loan, the Fund will continue to receive the equivalent of the interest paid by the issuer of the securities loaned. The Fund will have the right to call the loan and receive the securities loaned at any time with one day's notice.

A. Maximum Maturity - The maximum maturity of a securities lending loan shall be 92 days.

B. Maximum Exposure of Fund - No more than 20% of the Fund shall be exposed to securities lending and/or RRPs at any one time.

C. Maximum Exposure Per Counterparty - No more than 10% of the Fund shall be on loan with any single counterparty at any one time.

D. Proceeds shall be invested in securities authorized by California Government Code and this Investment Policy.

21. **COLLATERALIZED CERTIFICATES OF DEPOSIT** - This is the deposit of funds in state or national banks, state or federal savings and loan associations, federal credit unions, or FDIC-insured industrial loan companies in California per California Government Code Section 53652. The deposit of the funds will be made under the following conditions:

A. The deposit may not exceed the total of the paid-in capital and surplus of a depository.

B. The depository must maintain securities with a market value of at least 10% in excess of the total amount of the Fund's deposits. These securities will be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed-upon third party custodian bank.

C. The County Treasurer may waive the first $250,000 of collateral for each depository, so long as that amount is insured by an agency of the Federal Government. The documents listed below in D will not be required for deposits of $250,000 or less.

D. Each institution that receives Fund deposits must provide the County Treasurer with an up-to-date Contract, Annual Report, Affirmative Action Policy, Community Reinvestment Act Statement, and EEO-1 Form.

E. Maximum Maturity – The maximum maturity of a collateralized CD shall be 13 months.

F. Maximum Exposure of Fund – The maximum exposure to the Fund for this category shall be 5%.

G. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

H. Institutions at or above the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "- ") by at least one NRSRO may pledge mortgage-based collateral for County deposits.

I. Liquidity Category - Illiquid

22. **FDIC & NCUA INSURED DEPOSIT ACCOUNTS –** This is the deposit of funds in a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state per California Government Code Section 53635.8. The deposit of funds will be made under the following conditions:

A. The deposit of funds may be placed directly with a selected depository institution, not to exceed the issuance limit from the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

B. A selected depository may use a private sector entity to help place deposits with one or more commercial bank, savings bank, savings and loan association, or credit union located in the United States.

C. The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

D. Maximum Maturity - The maximum maturity of an FDIC or NCUA Insured Deposit Account shall be 13 months.

E. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 5%.

F. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

G. Minimum Credit Requirement - There is no minimum credit requirement for FDIC or

H. NCUA insured deposit accounts whether directly placed or placed through a private sector entity.

I. Liquidity Category - Illiquid

23. **COVERED CALL OPTION/PUT OPTION** - An option is the right to buy or sell a specific security within a specific time period at a specific price.

A. A covered call is when the County Treasurer sells the option to another party giving them the right to buy an existing security in the Fund at a specific price within a specific time period.

B. A put option is when the County Treasurer sells the option to another party giving them the right to sell to the County Treasurer a security at a specific price within a specific time period.

C. The seller of a covered call option/put option is paid at the time of the sale of the option. At the end of the option period, if the option is not exercised, the right to buy or sell the security is canceled.

D. The County Treasurer will act only as a seller of covered call and put options with the following exception: County Treasurer may buy an option to offset an existing open option position.

E. Securities subject to covered calls shall not be used for Reverse Repurchase Agreements.

F. Cash sufficient to pay for outstanding puts shall be invested in securities maturing on or before the expiration date of the options.

G. Maximum Maturity - The maximum maturity of a covered call option/put option shall be 90 days.

H. Maximum Exposure of Fund - No more than 10% of the Fund may have options written against it at any given time.

I. Counterparty Risk - Options shall only be written with primary broker/dealers of the Federal Reserve Bank of New York.

J. Liquidity Category - Liquid

24. **MONEY MARKET MUTUAL FUND** – These investments consist of shares of beneficial interest issued by management companies. Such shares represent ownership of a diversified portfolio of securities, which are redeemable at their net asset value. The Government Code allows for purchases of many types of mutual funds, but the Fund will limit use to money market mutual funds managed to maintain a stable NAV.

A. Maximum Exposure - The maximum exposure to the Fund for this category shall be 20%.

B. Maximum Exposure Per Fund - The maximum exposure to a single mutual fund shall be 10% of the Fund value.

C. Purchase Price - The purchase price of the mutual fund shall not include any commission.

D. Minimum Credit Requirement - Mutual fund ratings must be in the highest rating category by at least two NRSROs or retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience in managing money market mutual funds and with assets under management in excess of five hundred million dollars.

E. Liquidity Category **-** Liquid

25. **LOCAL GOVERNMENT INVESTMENT POOLS (LGIPs)** – These investments consist of shares of beneficial interest issued by a joint powers authority (JPA) organized pursuant to Government Code Section 6509.7 and authorized by Government Code Section 53601(p). The Fund shall only invest in LGIPs that comply with the California Government Code and all relevant sections of this Investment Policy and are managed to maintain a stable NAV.

A. Maximum Exposure - The maximum exposure to the Fund for this category shall be 5%.

B. Minimum Credit Requirement – LGIP ratings must be in the highest rating category by at least one NRSRO.

C. Liquidity Category – Liquid

26. **LOCAL AGENCY INVESTMENT FUND (LAIF)** – This fund was established by Government Code Section 16429.1 for use by local agencies in California and operates similarly to a LGIP. It is managed by the Treasurer of the State of California, who may invest money in the fund in securities prescribed in Government Code Section 16430 or elect to have the money of the fund invested through the State's Surplus Money Investment Fund.

A. Maximum Exposure - The maximum exposure to the Fund for this category shall be 5%.

B. Minimum Credit Requirement – LAIF is an unrated fund.

C. Liquidity Category – Liquid

27. **PASS-THROUGH SECURITIES** - These will be limited to equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds.

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure - The maximum exposure to the Fund for this category shall be 20%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.

D. Minimum Credit Requirement - The security must be rated "AA" or higher by at least one NRSRO.

E. Liquidity Category - Liquid

28. **WHEN-ISSUED SECURITIES** - The Fund may invest in new issues of Government Obligations offered on a when-issued basis; that is, delivery and payment take place after the date of the commitment to purchase, normally within 15 days. Both price and interest rate are fixed at the time of commitment. This allows the Fund to lock in an interest rate that may not be available on the issue date. The Fund does not earn interest on the securities until settlement, and the market value of the securities may fluctuate between purchase and settlement. Such securities can be sold before settlement.

29. **SUPRANATIONALS** – The fund may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by multi-national organizations, including:

- Inter-American Development Bank (IADB)
- International Bank for Reconstruction and Development (IBRD)
- International Finance Corporation (IFC)

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.

D. Minimum Credit Requirement - The issuer must be rated "AA" or higher by atleast one NRSRO.

E. Liquidity Category - Liquid

30. **QUALIFIED BROKERS AND DEALERS** - In order to minimize risk in executing security transactions under this Investment Policy, all transactions will be made only through qualified dealers.

A. A qualified dealer must be a bank, savings and loan association, or an investment securities dealer. Commercial Paper and Certificate of Deposit issuers may be considered qualified dealers for direct issuance of their paper.

B. Any dealer entering into a new business relationship to conduct security transactions with the County Treasurer is required to make application to the County Treasurer.

C. The dealer must ensure that its staff is aware of the County Treasurer's Investment Policy and the California Government Code Sections 53601 and 53635.

D. Investment securities dealers for Reverse Repurchase Agreements must be primary dealers regularly reporting to the Federal Reserve Bank.

E. The dealer is required to have net capital in excess of $10 million with liquidity lines of $50 million or more.

F. The dealer is required to maintain an active secondary market for securities sold to the County and must be competitive in price for bids and offers.

G. The dealer will be monitored by the Chief Investment Officer and staff to ensure the services the County requires are delivered in a timely and efficient manner.

H. The primary account representative must be in the institutional or middle market fixed income division with 5 years or more experience covering large municipalities.

I. A qualified dealer must not have made any political contributions to the County Treasurer, any member of the Board of Supervisors, or any candidate for these offices within any consecutive 48-month period following January 1996. The exception is if the broker/dealer is entitled to vote for any of these offices, in which case the contributions shall not be in excess of $250 to each official per election.

J. Each dealer, at minimum every three years, or more frequently if requested, will be required to respond to the County's Request for Information (RFI) providing the County with up-to-date financial and investment experience information in order to continue in its role.

31. **DELEGATION OF INVESTMENT AUTHORITY TO THE COUNTY TREASURER** - The State of California gives the Board of Supervisors the ability to delegate investment authority to the County Treasurer for a one-year period in accordance with Section 53607 of the California Government Code. The delegation will require renewal each year.

32. **SAFEKEEPING AUTHORITY**

A. The State of California gives the Board of Supervisors the ability to delegate the deposit for safekeeping authority to the County Treasurer in accordance with Section 53608 of the California Government Code. Board Resolution 109 adopted September 29, 1959 delegated this authority to the County Treasurer.

B. In exercising this safekeeping function, the County Treasurer will require depositories to provide evidence that they are taking reasonable measures to prevent unauthorized access to the depository's electronic data files.

C. The County Treasurer's Continuity of Operations Plan (COOP) addresses contingency plans in the event that a disaster, natural or otherwise, disrupts normal operations. Contingency plans vary depending upon the severity and expected longevity of the disruption.

33. **EXTERNAL OVERSIGHT** - The County Treasurer shall retain an independent third-party investment advisor to provide oversight and compliance monitoring.

The County Treasurer will also retain an NRSRO to provide a rating for the Fund and will have in place an internal system to provide credit and compliance monitoring.

34. **COUNTY TREASURY OVERSIGHT COMMITTEE** - The Board of Supervisors has established a County Treasury Oversight Committee pursuant to Sections 27130-27137 of the California Government Code. The County Treasurer shall annually prepare an investment policy that will be reviewed and monitored by the County Treasury Oversight Committee and shall be reviewed and approved at a public hearing by the Board of Supervisors.

35. **RULES GOVERNING THE ACCEPTANCE OF HONORARIA, GIFTS, AND GRATUITIES:**

A. The County Treasury Oversight Committee:

1. Gifts and Gratuity Limits: - Members may not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from an advisor, broker, dealer, banker, or other persons with whom the County Treasurer conducts business.

2. Honorarium Limits - Members may not accept any honorarium from advisors, brokers, dealers, bankers, or other persons with whom the County Treasurer conducts business.

3. Employment - A member may not be employed by an entity that has contributed to the campaign of a candidate for the office of the County Treasurer or a candidate for a legislative body of a local agency that has deposited funds in the County Treasury in the previous three years or during the period the employee is a member of the Oversight Committee. A member may not secure employment with bond underwriters, bond counsel, security brokers or dealers, or financial

services firms during the period that the person is a member of the Committee or for one year after leaving the Committee.

4. Contributions - A member may not directly or indirectly raise money for a candidate for County Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee.

B. The County Treasurer and Designated Employees:

1. Gifts and Gratuity Limits - The County Treasurer and designated employees may not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from a single source that does business with the County Treasurer's Office.

2. Honorarium Limits - The County Treasurer and designated employees may not accept any honorarium.

3. Form 700 "Statement of Economic Interests" - The County Treasurer and designated employees are required to file a Form 700 annually.

36. **REPORTING** - The County Treasurer shall prepare an investment report monthly to be posted on the County Treasurer Tax-Collector's website.

A. The report will be available to the following officials:

1. Board of Supervisors
2. Oversight Committee
3. Chief Administrative Officer
4. Auditor & Controller
5. Pool Participants

B. The report will include the following:

1. A summary of Fund statistics

2. The type of investment, issuer, maturity date, par value, and dollar amount invested for all securities, investments, and monies held by the Fund

3. A description of any of the Fund's investments or programs that are under management of contracted parties, including the securities lending program

4. Current market value and the source of the valuation as of the date of the report for all securities held by the Fund

5. Securities lending portfolio, if applicable

6. Pool purchases, sales, and maturities

7. Statement denoting the Fund's ability to meet expenditure requirements for the next six months

8. Statement of compliance with the Investment Policy

37. **COSTS AND EARNINGS APPORTIONMENT**

A. Prior to quarterly interest distribution, investment costs incurred by the County Treasurer will be deducted from the interest earnings of the pool and Dedicated Portfolios based on an equitable distribution formula. The costs, which are authorized by Government Code Section 27013, are made up of direct costs (salaries, banking services, computer services, and supplies) and indirect costs (department overhead and external overhead).

B. The Pool earnings distributed to each participant are proportionate to the average daily balance of the amounts on deposit by the participant. The County Auditor and Controller conducts the apportionment process based on the net earnings of the Fund each quarter.

C. In the event there is a negative balance in a participant's fund at any time, it shall reduce the average daily balance for the fund. If at quarter-end there is a negative average daily balance in a participant's fund, that fund will be charged the higher of the pool's earning rate for the quarter or a proxy TRANs cost.

D. The apportionment rate is set approximately ten business days after each calendar quarter end. Apportionments are not paid out by warrants; all earnings are credited to the participant's fund balance.

38. **TERMS AND CONDITIONS FOR DEPOSITING FUNDS BY VOLUNTARY PARTICIPANTS** - California Government Code Section 53684 allows local agencies, upon adoption of a resolution by the governing body of the agency, the option of depositing excess funds in the County Treasury for the purpose of investment by the County Treasurer.

A. The County, in its regional role to assist and aid other local agencies, adopted Board Resolution 11 on March 24, 1987, to allow agencies to deposit excess funds with the County Treasurer for investment. The limitation on acceptance of voluntary deposits and this Investment Policy are structured to help to ensure that, pursuant to Section 27133 of the California Government Code, the County Treasurer shall be able to find that all proposed deposits/withdrawals will not adversely affect the interests of the other depositors in the Fund.

B. The policy for the acceptance of local agency deposits is:

1. The local agency must sign an Investment Management Agreement.

2. The local agency may be asked to provide cash flows on a quarterly basis indicating projected withdrawals from the Fund.

C. Before any deposits for new accounts from Voluntary Participants can be accepted by the County Treasurer, the local agency must perform the following:

1. Provide a resolution adopted by the Board or governing body that authorizes the local agency to deposit excess funds in the County Treasury for the purpose of investment by the County Treasurer. The resolution must:

    a) be signed by an authorized official

    b) indicate the resolution number and date passed by the Board or governing body,

    c) indicate the persons authorized to initiate deposits to and instruct withdrawals from the Fund,

    d) bear the seal of the local agency, if the local agency has a seal.

2. Provide wire/ACH transfer instructions for cash withdrawals from the Fund. All withdrawals will be paid by electronic funds transfer.

3. Establish a trust account through the County Auditor and Controller's General Accounting Division.

39. CRITERIA FOR WITHDRAWAL OF MONIES FROM THE FUND BY VOLUNTARY PARTICIPANTS

A. Before a local agency withdraws monies from the Fund, it must submit a withdrawal request a minimum of 2 working days prior to the desired withdrawal date. Although not encouraged, shorter notice may be honored at the discretion of the County Treasurer's Office if the withdrawal does not cause the Fund to fall out of compliance with its maturity policy or jeopardize its ability to meet cash flow requirements.

B. When monies are requested for withdrawal, the County Treasurer's Office must find that the withdrawal will not adversely affect the interests of all other depositors in the Fund.

40. GRANDFATHERED AGENCIES

A. Grandfathered agencies that use the services of the County to keep their records and/or issue warrants/wires for the agency can continue to function in this manner and will be treated as a mandatory participant (assuming the agency continues to make deposits into the Fund).

B. These agencies can also opt to be treated as Voluntary Participants and elect to withdraw funds in the same fashion as the other Voluntary Participants. However, any agency so opting shall be subject to all restrictions placed upon the other Voluntary Participants.

GLOSSARY OF TERMS

BID - The price offered by a buyer of securities.

CREDIT RATING - The alphanumeric score which provides an assessment of the credit opinion of one of the Nationally Recognized Statistical Rating Organizations for a particular investment or issuing entity.

DEDICATED PORTFOLIO - Any assets, besides those held in the Fund, invested by the County Treasurer on behalf of any San Diego County agency.

DOLLAR-WEIGHTED AVERAGE MATURITY - The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION - A measure of the price volatility of a portfolio that reflects an estimate of the projected increase or decrease in the value of a portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every 1.0 percent increase in interest rates, the market value of a portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT - The quarterly interest distribution to the Pool Participants after the actual investment costs incurred by the County Treasurer are deducted from the interest earnings of the Fund.

EFFECTIVE DURATION OR OPTION-ADJUSTED DURATION - The approximate percentage price change of a bond for a 100 basis point parallel shift in the yield curve, allowing for the cash flow to change as a result of the change in yield.

GRANDFATHERED AGENCIES- Some fire districts and other agencies that use the County's banking and accounting services.

ILLIQUID – Investments for which 1) the secondary market is non-existent or thinly traded, 2) it is not possible to access funds prior to maturity, or 3) One cannot liquidate at the cost ofprincipal.

ISSUER - The entity identified as the counterparty or obligator related to a security trade.

INVESTMENT GROUP - Group consisting of the County Treasurer, Chief Deputy Treasurer, Chief Investment Officer, and Investment Officers.

INVESTMENT MANAGEMENT AGREEMENT - An agreement between a voluntary participant and the San Diego County Treasurer-Tax Collector. The agreement addresses the terms and conditions of local agencies' deposits of funds for investment into the Fund.

LIQUID – Term for securities that can be converted to cash quickly.

MODERATELY LIQUID - Securities that can be converted to cash quickly with the potential for minimum loss of principal.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO) - A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

OFFER - The price at which a holder of a security would be willing to sell the security.

PORTFOLIO VALUE - The total book value of all the securities held in the Fund.

PRUDENT RISK - An investment system in which the investor will invest conservatively to receive a stable income with little risk.

SAFEKEEPING - A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SELECTED DEPOSITORY INSTITUTION - A nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in the state of California.

SHORT-TERM - The term used to describe a security when the maturity is one year or less.

VOLUNTARY PARTICIPANTS - Local agencies that are not required to deposit their funds with the County Treasurer.

WHEN-ISSUED SECURITIES - A security traded before it receives final trading authorization, with the investor receiving the certificate/security only after the final approval is granted.

Appendix A
Approved Broker/Dealers

Link to approved broker/dealers

APPENDIX B - POLICY GUIDELINES

Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum % With One Issuer	Minimum Rating
US Treasury Obligations	5 years	No Limit	No Limit	No Limit
Agency Obligations	5 years	No Limit	35%	No Limit
Local Agency Obligations	5 years	30%	10%	A
Banker's Acceptances	180 days	40%	5%	A-1
Commercial Paper (1)	270 days	40%	10% (2)	A-1
Medium Term Notes	5 years	30%	10% (2)	A
Negotiable Certificate of Deposits	5 years	30%	10% (2)	A-1/A
Repurchase Agreements	1 year	40%	Note (3)	No Limit
Reverse Repurchase Agreements	92 days	20%	10%	No Limit
Collateralized Certificates of Deposit	13 months	5%	5%	No Limit
FDIC & NCUA Insured Deposit Accounts	13 months	5%	5%	No Limit
Money Market Funds	N/A	20%	10%	AAAm
Local Government Investment Pools (LGIPs)	N/A	5%	5%	AAAm
Local Agency Investment Fund (LAIF)	N/A	5%	N/A	N/A
Pass-Through Securities	5 years	20%	10%	AA
Supranationals	5 years	30%	10%	AA

(1) *Government Code Section 53635(a) (1-2) specifies percentage limitations for this security type for county investment pools.*

(2) *10% issuer limit includes CP, MTN, and NCD exposure combined, if applicable.*

(3) *Maximum exposure per issue – The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RPs with maturities greater than 5 days and 15% of the portfolio for RPs maturing in 5 days or less. The maximum exposure to a single broker/dealer of RPs shall be 10% of the portfolio value for maturities greater than 5 days and 15% of the portfolio value for maturities of 5 days or less.*

APPENDIX C – STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODES

CATEGORIES

GENERAL → *SPECIFIC*

3-DIGITS	4-DIGITS
131 - Crude Petroleum and Natural Gas	1311 - Crude Petroleum and Natural Gas
132 - Natural Gas Liquids	1321 - Natural Gas Liquids
138 - Oil and Gas Field Services	1381 - Drilling Oil and Gas Wells
	1382 - Oil and Gas Field Exploration Services
	1389 - Oil and Gas Field Services, Not Elsewhere Classified
122 - Bituminous Coal and Lignite Mining	1221 - Bituminous Coal and Lignite Surface Mining
	1222 - Bituminous Coal Underground Mining
123 - Anthracite Mining	1231 - Anthracite Mining
124 - Coal Mining Services	1241 - Coal Mining Services
291 - Petroleum Refining	2911 - Petroleum Refining
295 - Asphalt Paving and Roofing Materials	2951 - Asphalt Paving Mixtures and Blocks
	2952 - Asphalt Felts and Coatings
299 - Miscellaneous Products of Petroleum and Coal	2992 - Lubricating Oils and Greases
	2999 - Products of Petroleum and Coal, Not Elsewhere Classified
492 - Gas Production and Distribution	4922 - Natural Gas Transmission
	4923 - Natural Gas Transmission and Distribution
	4924 - Natural Gas Distribution
	4925 - Mixed, Manufactured, or Liquefied Petroleum Gas Production and/or Distribution

San Diego County Treasurer-Tax Collector

San Diego, California

INDEPENDENT ACCOUNTANT'S REVIEW REPORT AND SPECIAL-PURPOSE STATEMENT OF NET POSITION

March 31, 2022

ISSUED BY DAN MCALLISTER, SAN DIEGO COUNTY
TREASURER-TAX COLLECTOR

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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661-324-4971

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Treasury Oversight Committee
County of San Diego, California

We have reviewed the accompanying special-purpose Statement of Net Position (Statement) of the San Diego County Treasurer-Tax Collector (Treasury) as of March 31, 2022, and the related notes to the Statement. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Treasury management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the Statement as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statement

Management of the Treasury is responsible for the preparation and fair presentation of the Statement in accordance with California Government Code Section 26920 as discussed in Note II; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a special-purpose statement of net position that is free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the Statement for it to be in accordance with the basis of accounting described in Note II. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Treasury and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying Statement in order for it to be in accordance with the basis of accounting described in Note II.

Special-Purpose Financial Statement

We draw attention to Note II of the Statement, which describes the financial statement presentation. The Statement is prepared for the purpose of complying with California Government Code Section 26920 and is not intended to be presented in conformity with accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

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4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Restriction on Use

This report is intended solely for the information and use of the management of the San Diego County Treasurer-Tax Collector and the Treasury Oversight Committee and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
June 6, 2022

San Diego County Treasurer-Tax Collector
Special-Purpose Statement of Net Position
March 31, 2022
(in Thousands)

	San Diego County Investment Pool	Dedicated Portfolios
Assets		
Cash on hand and in bank	$ 49,313	$ -
Investments at fair value	13,059,369	262,667
Interest receivable	19,636	2,671
Total Assets	13,128,318	265,338
Liabilities		
Distributions payable	20,991	-
Accrued expenses	1,956	40
Total Liabilities	22,947	40
Net Position	$ 13,105,371	$ 265,298

See Independent Accountant's Review Report and
accompanying Notes to the Special-Purpose Statement of Net Position.

San Diego County Treasurer-Tax Collector
Notes to the Special-Purpose Statement of Net Position
March 31, 2022

I. FINANCIAL REPORTING ENTITY

The San Diego County Investment Pool (Pool) was originally formed in 1853 by the County of San Diego Board of Supervisors (Board) to invest assets of the County of San Diego (County) and other external parties. The Pool is a part of the County and is responsible for approximately $13.1 billion in investments as of March 31, 2022. The Pool is administered by the Treasurer-Tax Collector, an elected office that is responsible for tax collection, banking, investment, disbursement, and accountability of public funds and is managed by the County Treasurer's Office (Treasury) on behalf of Pool participants. The Treasury also manages Specific Purpose Investment Portfolios (Dedicated Portfolios). As of March 31, 2022, the net position of the Pool and Dedicated Portfolios totaled approximately $13.1 billion and $265 million, respectively.

Participants of the Pool include the County, local school districts, local community colleges, other districts, and government agencies. The school districts are required by State statute to deposit funds with the Treasury, while other (non-County) participants are voluntary. Mandatory participants in the Pool comprise the majority of the Pool's assets, at 90.4%. All participants comply with the same requirements as stated in the Treasurer's Pooled Money Investment Policy (Investment Policy). The State of California gives the Board the ability to delegate the investment authority to the Treasury in accordance with Section 53607 of the California Government.

Pursuant to Sections 27130-27137 of the Government Code, the Board has established the Treasury Oversight Committee (TOC) which monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise or an academic background in public finance. The Investment Policy requires a financial audit to be conducted on a fiscal year basis, which includes limited tests of compliance with laws and regulations, with the duty of the TOC to review the audit.

The Pool and Dedicated Portfolios are not registered with the Securities and Exchange Commission (SEC) as an investment company. Investments under the accountability of the Treasury do not have any legally binding guarantees of share values.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The accompanying special-purpose statement of net position (Statement) has been prepared using the economic resources measurement focus and accrual basis of accounting. The accompanying financial statement presents only the statement of net position of the Pool, pursuant to Section 26920 of the Government Code, and the Dedicated Portfolios, and is not intended to present fairly, the financial position of the County of San Diego, as a whole, in conformity with accounting principles generally accepted in the United States (GAAP). Accordingly, Treasury management has elected to omit note disclosures required by Governmental Accounting Standards Board (GASB) Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, and Statement No. 72, *Fair Value Measurement and Application*, since such disclosures are not required by Section 26920 of the Government Code.

The accompanying Statement differs from the Pool's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. The Pool is the only financial reporting entity of the Pool's ACFR, which does not include the Dedicated Portfolios. The Pool's ACFR is presented to the Treasury Oversight Committee and is available at the Treasury's web site, www.sdttc.com.

B. Cash and Deposits

As of March 31, 2022, the Pool maintained accounts in JP Morgan Bank. The carrying amount of the Pool's total deposits was $49,313,395 and the bank balance was $20,882,120. The difference between the carrying amount and the bank balance includes temporary reconciling items such as outstanding checks and deposits in transit.

Government Code Section 53652 et. seq. and the Investment Policy prescribe the amount of collateral required to secure the deposit of public funds. Federal Deposit Insurance Corporation (FDIC) insurance is available for funds deposited at any one insured depository institution for up to a maximum of $250 thousand for demand deposits and up to a maximum of $250 thousand for time and savings deposits. The aforementioned Government Code and Investment Policy require that depositories collateralize public funds with securities having a market value of at least 10% in excess of the total amount of the deposits. These securities shall be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed upon third party custodian bank.

C. Investments

The Pool and Dedicated Portfolio's cash and investments are invested pursuant to Investment Policy guidelines established by the County Treasurer. As permitted by the Government Code, the Treasury developed, and the Board adopted, Investment Policy that further defines and restricts the limits within which the Treasury may invest. The investments are managed by the Treasury, which publicly posts investment activity for the Board on a monthly basis. Investment transactions are recorded on the trade date. Deposits and investments with the Treasury are exposed to risks such as credit risk, concentration of credit risk, custodial credit risk, and interest rate risk. Disclosures related to such risks as required under GASB No. 40 and certain disclosures relating to fair value measurements, hierarchy of fair value, and valuation techniques required under GASB Statement No. 72, are not presented in this report as the Treasury does not believe that such disclosures are necessary to meet the objectives of the users of the Statement. Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

D. Interest Receivable

Interest receivable consists of interest accrued on investments including interest purchased with certain securities. At March 31, 2022, the Pool had $19.6 million of interest receivable and the Dedicated Portfolios had $2.7 million of interest receivable.

E. *Liabilities*

Distributions payable represents the interest earned on invested securities and not yet distributed to Pool participants. The Treasury calculates and records all interest earned, received, and accrued for the Pool on a monthly basis. Gains or losses as a result of market value fluctuations are not reflected in the apportionment to Pool participants unless a security is actually sold. Income earned on the pooled investments is apportioned quarterly based on the average daily balance of each Pool participant.

Accrued expenses represent the administrative fees for the third quarter of fiscal year 2022.

III. TREASURY INVESTMENT STRATEGY

The Treasury's investment strategy for the Pool is to maintain principal, provide cash to meet disbursement needs of participants, and generate a yield within the parameters of prudent risk management. The cash flow needs of Pool participants are monitored daily to ensure appropriate liquidity is maintained. The Treasury's general investment strategy is to buy high quality fixed income investments and hold to maturity.

San Diego County Treasurer-Tax Collector
Notes to the Special-Purpose Statement of Net Position
March 31, 2022

The Dedicated Portfolios are used to account for the net position of individual investment accounts. Although at times the Dedicated Portfolios may hold a position in the Pool, the related investment activity occurs separately from the Pool. The individual investment strategies of the Dedicated Portfolios are customized to the needs of the requesting participant.

The investments in the accompanying statements of net position are reported at fair value. The table below summarizes the investments for the Pool and Dedicated Portfolios at fair value:

	San Diego County Investment Pool	Dedicated Portfolios
Investments at Fair Value:		
Pass-Through Securities	$ 491,061	$ -
U.S. Government Agencies:		
Federal Home Loan Mortgage Corporation Notes	713,800	-
Federal Home Loan Bank Notes	910,310	-
Federal National Mortgage Association Notes	724,347	-
Federal Farm Credit Bank Notes	799,602	-
U.S. Treasury Notes	1,394,776	-
Supranationals	981,367	-
Commercial Paper	3,121,759	-
Corporate Medium-Term Notes	598,738	-
Local Government Investment Pool	1,787	-
Money Market Mutual Funds	69,000	16,500
Negotiable Certificates of Deposit	2,899,460	-
Municipal Bonds	353,362	246,167
Total Investments at Fair Value	$ 13,059,369	$ 262,667