

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2026

NEW ISSUE—FULL BOOK-ENTRY
STATE OF CALIFORNIA

RATINGS: “Aa2” (Moody’s)
SAN BERNARDINO COUNTY

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

\$9,685,000*

**ETIWANDA SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
ELECTION OF 2016 GENERAL OBLIGATION
BONDS, SERIES 2026E**



\$37,450,000*

**ETIWANDA SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2026**

Dated: Date of Delivery

Due: August 1, as shown herein

This Official Statement describes the Etiwanda School District, San Bernardino County, California, Election of 2016 General Obligation Bonds, Series 2026E (the “Series 2026E Bonds”) and General Obligation Refunding Bonds, Series 2026 (the “Refunding Bonds”) and together with the Series 2026E Bonds, the “Bonds”). The Bonds are being issued by the Etiwanda School District (the “District”).

The Series 2026E Bonds were authorized at an election of the registered voters of the District held on November 8, 2016, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$137,000,000 principal amount of general obligation bonds of the District (the “Authorization”). The Series 2026E Bonds will be the fifth series of bonds issued pursuant to the Authorization and are being issued to (i) finance various school facilities for the District and (ii) pay costs of issuance of the Series 2026E Bonds. The Refunding Bonds are being issued to (i) refund certain outstanding general obligation bonds of the District and (ii) pay costs of issuance of the Refunding Bonds.

The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of San Bernardino County is empowered and is obligated to levy *ad valorem* taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the Bonds when due. Other than the bonds previously issued under the Authorization, the District has no other outstanding general obligation bonds which are secured by and payable from *ad valorem* taxes levied on taxable property within the District. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS—*Ad Valorem* Property Taxation” herein.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of beneficial ownership interests in the Bonds will not receive certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as the Paying Agent, Registrar and Transfer Agent (the “Paying Agent”), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry Only System” herein.

The Bonds will be issued as current interest bonds. The Bonds are dated the date of delivery of the Bonds and accrue interest from such date, and are payable semiannually on February 1 and August 1 of each year, commencing February 1, 2027. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

The District may apply for municipal bond insurance and, if a commitment is issued to insure the Bonds, will decide at pricing of the Bonds whether or not to purchase such insurance for one or more maturities of the Bonds.

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS—Redemption of Bonds” herein.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE SAN BERNARDINO COUNTY. NO PART OF ANY FUND OF THE SAN BERNARDINO COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE BONDS.

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

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth LLP, Disclosure Counsel. Certain matters will be passed upon for the Underwriter by its counsel Kutak Rock LLP, Irvine, California. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about November 5, 2026.

STIFEL

Dated: October __, 2026

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE*

**ETIWANDA SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
ELECTION OF 2016 GENERAL OBLIGATION BONDS, SERIES 2026E**

\$9,685,000*

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†] No.</i>
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\$ _____ % Term Bonds due _____, Yield: _____ % Price: _____ CUSIP No.[†] _____

* Preliminary, subject to change.

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MATURITY SCHEDULE*

**ETIWANDA SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026**

\$37,450,000*

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†] No.</i>
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\$ _____ % Term Bonds due _____, Yield: _____ % Price: _____ CUSIP No.[†] _____

* Preliminary, subject to change.

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No dealer, broker, salesperson or other person has been authorized by the District, the County or the Underwriter to give any information or to make any representations other than those contained herein. If given or made, such other information or representations must not be relied upon as having been authorized by the District, the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall 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.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

The information set forth herein which has been obtained from third-party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the District or the County. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein since the date hereof. This Official Statement is being 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, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions “THE DISTRICT,” and “DISTRICT FINANCIAL MATTERS” herein.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. While the District has agreed to provide certain on-going financial and operating data on an annual basis, it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change. See “CONTINUING DISCLOSURE” and APPENDIX C—“FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

All information material to the making of an informed investment decision with respect to the Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The information in Appendix G—“BOOK-ENTRY ONLY SYSTEM” attached hereto has been furnished by The Depository Trust Company, and no representation has been made by the District or the County or the Underwriter as to the accuracy or completeness of such information.

THE UNDERWRITER MAY OFFER AND SELL THE BONDS DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

ETIWANDA SCHOOL DISTRICT

Board of Trustees

Matthew Gordon, President
Dayna Karsch, President Pro Tempore
Cathline Fort, Clerk
April McAllaster, County Representative
Dr. Fermín Jaramillo, Member

School District Administrators

Laura Rowland, Superintendent
Doug Claflin, Assistant Superintendent, Business Services

PROFESSIONAL SERVICES

Municipal Advisor

California Financial Services
Mission Viejo, California

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, LLP
Newport Beach, California

Paying Agent/Escrow Agent

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

Verification Agent

Causey Public Finance LLC
Denver, Colorado

TABLE OF CONTENTS

INTRODUCTION	1	Capital Projects Funds.....	50
The District	1	DISTRICT DEBT STRUCTURE	50
Sources of Payment for the Bonds	1	Long-Term Debt	50
Purpose of Issue	2	Short-Term Debt	51
Description of the Bonds.....	2	CONSTITUTIONAL AND STATUTORY	
Tax Matters	2	PROVISIONS AFFECTING DISTRICT REVENUES	
Authority for Issuance of the Bonds	3	AND APPROPRIATIONS	51
Offering and Delivery of the Bonds.....	3	Article XIII A	51
Continuing Disclosure	3	Unitary Property.....	52
Potential for Bond Insurance.....	3	Article XIII B	52
Forward Looking Statements.....	3	Articles XIII C and XIII D	53
Professionals Involved in the Offering.....	4	Proposition 46	55
Other Information	4	Proposition 39	55
THE BONDS	4	Propositions 98 and 111	55
Authority for Issuance.....	4	Proposition 1 A and Proposition 22	56
Description of the Bonds.....	5	Proposition 30 and Proposition 55	57
Paying Agent.....	5	Proposition 2	58
Redemption of Bonds	5	California Senate Bill 222	59
Notice of and Effect of Redemption of the Bonds	7	Kindergarten Through Community College Public	
Book-Entry Only System.....	7	Education Facilities Bond Act of 2016.....	59
Defeasance	7	Jarvis v. Connell.....	60
Supplemental Resolution	8	Future Initiatives and Propositions.....	60
Unclaimed Moneys	9	STATE OF CALIFORNIA FISCAL ISSUES	61
Debt Service Schedule	10	General Overview	61
SOURCES AND USES OF FUNDS	11	2026-27 State Budget.....	62
Sources and Uses	11	Future Actions and Events	65
Sources and Uses	11	State Dissolution of Redevelopment Agencies	65
Application and Investment of Bonds Proceeds and Tax		LEGAL MATTERS.....	66
Revenues	11	Tax Matters	66
SECURITY FOR THE BONDS	13	Legal Opinion	68
TAX BASE FOR REPAYMENT OF THE BONDS.....	15	Legality for Investment in California.....	68
<i>Ad Valorem</i> Property Taxation.....	15	No Litigation	68
Historical Data Concerning District Tax Base	17	CONTINUING DISCLOSURE	69
Tax Levies and Delinquencies	18	MISCELLANEOUS	69
Tax Rates	19	Ratings	69
Direct and Overlapping Debt	20	Underwriting	70
Largest Taxpayers	21	Audited Financial Statements.....	70
Assessed Valuation Per Parcel of Single Family Homes	23	Financial Interests	70
THE DISTRICT.....	23	ADDITIONAL INFORMATION	70
Introduction.....	23		
Board of Trustees.....	24	APPENDIX A FORM OF OPINION OF BOND	
Superintendent and Administrative Personnel	24	COUNSEL.....	A-1
Employee Relations	24	APPENDIX B DISTRICT'S 2024-25 AUDITED	
Retirement System.....	25	FINANCIAL STATEMENTS.....	B-1
Post-Employment Benefits	37	APPENDIX C FORM OF CONTINUING	
Insurance.....	38	DISCLOSURE AGREEMENT	C-1
Cybersecurity	38	APPENDIX D SAN BERNARDINO COUNTY	
DISTRICT FINANCIAL MATTERS.....	39	TREASURER'S STATEMENT OF	
Accounting Practices	39	INVESTMENT POLICY	D-1
District Budget.....	39	APPENDIX E COUNTY INVESTMENT POOL	
State Funding of Education.....	41	MONTHLY REPORT	E-1
Historical General Fund Financial Information	45	APPENDIX F INFORMATION CONCERNING THE	
Current Financial Condition.....	48	CITY OF RANCHO CUCAMONGA	
Revenue Sources.....	49	AND SAN BERNARDINO COUNTY	F-1
State Apportionment Funding.....	49	APPENDIX G BOOK-ENTRY ONLY SYSTEM.....	G-1
Federal Revenues.....	49		
Other State Sources.....	50		
Other Local Sources.....	50		

\$9,685,000*
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(SAN BERNARDINO COUNTY, CALIFORNIA)
ELECTION OF 2016 GENERAL OBLIGATION
BONDS, SERIES 2026E

\$37,450,000*
ETIWANDA SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2026

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the Etiwanda School District (the “District”), located in San Bernardino County, California (the “County”), to provide information concerning the Etiwanda School District, San Bernardino County, California, Election of 2016 General Obligation Bonds, Series 2026E (the “Series 2026E Bonds”) and General Obligation Refunding Bonds (the “Refunding Bonds” and together with the Series 2026E Bonds, the “Bonds”).

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

The District

The District, established in 1883, currently operates thirteen elementary schools, four intermediate schools, and one District Education Center. Encompassing approximately 47.5 square miles, by assessed valuation for fiscal year 2026-27, the District comprises approximately 68.58% of the City of Rancho Cucamonga, approximately 29.78% of the City of Fontana and approximately 1.64% of the unincorporated area of San Bernardino County. Approximately 61% of the student population of the District resides in the City of Rancho Cucamonga, approximately 38% resides in the City of Fontana and approximately 1% resides in unincorporated areas of the County. The total projected enrollment for fiscal year 2026-27 is 13,545 students.

The District is governed by a five-member Board of Trustees (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. The management and policies of the District are administered by a Board appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. See “THE DISTRICT.”

Sources of Payment for the Bonds

Ad Valorem Taxes. The Series 2026E Bonds are general obligation bonds of the District approved by the voters of the District at a November 8, 2016 election. The Series 2026E Bonds will be the fifth series of bonds issued pursuant to the authorization obtained at such election.

The Board of Supervisors of the County has the power and is obligated annually 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 of rate or amount (except certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS” herein.

* Preliminary, subject to change.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE BONDS.

Purpose of Issue

Proceeds from the Series 2026E Bonds will be used (i) for one or more of the purposes identified within the projects list approved by the voters and authorized at the November 8, 2016 election (“Projects List”) which include, but are not limited to: repairing, upgrading and expanding school facilities and classrooms to meet safety, academic and technology standards, to reduce overcrowding and to improve school security and health systems and (ii) to pay costs of issuance associated with the sale of the Series 2026E Bonds.

Proceeds from the Refunding Bonds will be used to (i) provide funds to refund all or portion of the outstanding Etiwanda School District, San Bernardino County, California, Election of 2016 General Obligation Bonds, Series 2017A, maturing on or after August 1, 2027 (the “Refunded Series 2017A Bonds”) and (ii) pay costs of issuance associated with the sale of the Refunding Bonds. See “SOURCES AND USES OF FUNDS – Application and Investment of Bonds Proceeds and Tax Revenues” herein.

Description of the Bonds

The Bonds. The Bonds will be issued as current interest bonds. The Bonds mature on August 1 in the years and in the principal amounts set forth on the inside cover page and following page of this Official Statement.

Payments. Interest on the Bonds accrues from the date of delivery of the Bonds at the rates set forth on the inside cover page of this Official Statement, and is payable semiannually on each February 1 and August 1, commencing February 1, 2027. The principal amount of the Bonds is payable at maturity or earlier redemption upon surrender of the applicable Bond for payment.

Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“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 only system maintained by DTC, only through brokers and dealers who are or act through securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC (“DTC Participants”). Beneficial Owners of the Bonds will not be entitled to receive physical delivery of the Bonds. See “THE BONDS—Book-Entry Only System” herein.

Denominations. The Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of \$5,000 principal amount, or any integral multiple thereof.

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS—Redemption of Bonds” herein.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “LEGAL MATTERS—Tax Matters” with respect to

tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

Authority for Issuance of the Bonds

As described below, the Bonds are issued pursuant to certain provisions of the State of California Government Code, as well as other applicable law, and pursuant to resolutions adopted by the Board of Trustees of the District and the Board of Supervisors of the County. See “THE BONDS—Authority for Issuance” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about November 5, 2026.

Continuing Disclosure

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5), as amended, adopted by the Securities and Exchange Commission. The specific nature of the information to be made available and of the notices of enumerated events for which notice will be given is summarized below under the caption “CONTINUING DISCLOSURE” and APPENDIX C—“FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

Potential for Bond Insurance

The District may apply for municipal bond insurance to guarantee the scheduled payment of principal of and interest on one or more maturities of the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance for one or more maturities.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

California Financial Services is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth LLP, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Kutak Rock LLP is acting as counsel to the Underwriter in connection with the Bonds. The fees paid to the Financial Advisor, Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Etiwanda School District, 6061 East Avenue, Etiwanda, California 91739, telephone: (909) 899-1235. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall 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.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each of such documents, statutes and constitutional provisions.

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

All terms used herein and not otherwise defined shall have the meanings given such terms in the Resolution (as defined below).

THE BONDS

Authority for Issuance

The Series 2026E Bonds are issued pursuant to the provisions of Article 4.5, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, paragraph (3) of subdivision (b) of Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on September 17, 2026 (the "Resolution").

The District received authorization at an election held on November 8, 2016, by more than fifty-five percent of the votes cast by eligible voters within the District, to issue up to \$137,000,000 of general obligation bonds (the "Authorization"). The Series 2026E Bonds represent the fifth series of bonds issued under the Authorization and are being issued to finance various projects identified within the Projects List. The first

series of bonds issued under the Authorization was issued on May 31, 2017 in the initial principal amount of \$45,995,325.80, the second series of bonds issued under the Authorization was issued on May 21, 2020 in the initial principal amount of \$49,996,434.35, the third series of bonds issued under the Authorization was issued on September 29, 2022 in the initial principal amount of \$19,326,323.00 and the fourth series of bonds issued under the Authorization was issued on November 19, 2024 in the initial principal amount of \$11,996,839.80. Upon issuance of the Series 2026E Bonds, \$77.35* principal amount of bonds will remain unissued under the Authorization.

The District has \$37,360,326 outstanding principal amount of the Etiwanda School District Election of 2016 General Obligation Bonds, Series 2017A, \$44,661,434 outstanding principal amount of the Etiwanda School District Election of 2016 General Obligation Bonds, Series 2020A, \$15,896,323 outstanding principal amount of the Etiwanda School District Election of 2016 General Obligation Bonds, Series 2020C and \$10,391,840 outstanding principal amount of the Etiwanda School District Election of 2016 General Obligation Bonds, Series 2024D.

The Refunding Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and pursuant to the Resolution.

Description of the Bonds

The Bonds will be issued as current interest bonds. The Bonds are dated the date of delivery of the Bonds and bear current interest payable semiannually on February 1 and August 1 of each year (each an “Interest Payment Date”), commencing February 1, 2027, computed on the basis of a 360-day year comprised of twelve 30-day months, at the annual interest rates shown on the inside cover of this Official Statement. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

Payment on any Interest Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Interest Payment Date. For purposes of the foregoing, “Record Date” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date.

See the Maturity Schedule on the inside cover and “—Debt Service Schedule” below.

Paying Agent

U.S. Bank Trust Company, National Association will act as the initial paying agent, registrar and transfer agent (the “Paying Agent”) for the Bonds.

If the Paying Agent resigns or is removed by the District, a successor Paying Agent will be appointed by the District with the consent of the Treasurer-Tax Collector of the County. Any successor Paying Agent selected by the District, other than the Treasurer, may be any bank, trust company, national banking association or other financial institution doing business in the State of California and with at least \$50,000,000 in net assets.

Redemption of Bonds*

Optional Redemption of the Series 2026E Bonds. The Series 2026E Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, from any source of funds, on any date on or after August 1, 20__ as a whole, or in part. The Series 2026E Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed. The Series 2026E Bonds redeemed

* Preliminary, subject to change.

prior to maturity, if any, will be redeemed at a redemption price equal to the principal amount thereof together with accrued interest to date of redemption, without premium.

Mandatory Sinking Fund Redemption for the Series 2026E Bonds. The Series 2026E Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the following dates and in the following amounts at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium as follows:

<i>Year (August 1)</i>	<i>Principal Amount</i>
	\$
†	

† Final Maturity

Selection of Series 2026E Bonds for Redemption. Whenever provision is made for the optional redemption of the Series 2026E Bonds and less than all outstanding Series 2026E Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select the Series 2026E Bonds for redemption as so directed by the District and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Series 2026E Bonds for redemption by lot in such manner as the Paying Agent shall determine; provided that the portion of any Series 2026E Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Optional Redemption of the Refunding Bonds. The Refunding Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, from any source of funds, on any date on or after August 1, 20__ as a whole, or in part. The Refunding Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed. The Refunding Bonds redeemed prior to maturity, if any, will be redeemed at a redemption price equal to the principal amount thereof together with accrued interest to date of redemption, without premium.

Mandatory Sinking Fund Redemption for the Refunding Bonds. The Refunding Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on the following dates and in the following amounts at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the redemption date, without premium as follows:

<i>Year (August 1)</i>	<i>Principal Amount</i>
	\$
†	

† Final Maturity

Selection of Refunding Bonds for Redemption. Whenever provision is made for the optional redemption of the Refunding Bonds and less than all outstanding Refunding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select the Refunding Bonds for redemption as so directed by the District and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Refunding Bonds for redemption by lot in such manner as the Paying Agent shall determine; provided that the portion of any Refunding Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of and Effect of Redemption of the Bonds

So long as the Bonds are registered to DTC or its nominee, notices of redemption will be sent only to DTC in the manner provided for in its procedures and will not be sent by the Paying Agent to the Beneficial Owners.

At least 30 but not more than 60 days prior to the redemption date, a redemption notice shall be given to the owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the registration books of the Paying Agent or, so long as the Bonds are registered to DTC or its nominee, in such manner as complies with the requirements of DTC. Neither failure to receive any redemption notice nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the Bonds.

Any redemption notice for an optional redemption of the Bonds delivered may be conditional, and, if any condition stated in the redemption notice shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

If on a redemption date moneys for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, are held by the Paying Agent, and if notice of redemption thereof shall have been given as set forth in the Resolution, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent and sufficient moneys are held by the Paying Agent or an escrow agent appointed by the District for the payment of the redemption price of such Bonds, or portions thereof, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation at the earlier of maturity or the applicable redemption date.

Book-Entry Only System

One fully registered bond without coupons for each maturity of the Bonds will be issued and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to DTC Participants for subsequent dispersal to the Beneficial Owners of the Bonds as described herein. See APPENDIX G—"BOOK-ENTRY ONLY SYSTEM" herein.

Defeasance

All or a portion of the outstanding Bonds may be paid and discharged in any one or more of the following ways:

(1) by well and truly paying or causing to be paid the principal, premium, if any, and interest on all Bonds outstanding, as and when the same become due and payable;

(2) by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds designated for defeasance, including all principal, premium, if any, interest; or

(3) by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds designated for defeasance (including all principal and interest represented thereby and redemption premium, if any) at or before their maturity date or redemption date, as applicable.

If a Bond is defeased as described above, then, all obligations of the District and the Paying Agent under the Resolution with respect to such outstanding Bond shall cease and terminate, whether or not such Bond has been surrendered for payment, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid to the Owners of the Bonds, all sums due thereon from the amounts on deposit pursuant to (2) or (3) above and the obligations of the District with respect to the Rebate Fund.

In the Resolution, Government Obligations are defined as:

Direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, or Moody's Investors Service.

Supplemental Resolution

(a) The Resolution, and the rights and obligations of the District and of the Owners of the Bonds, may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District; provided, however, that no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything in the Resolution to the contrary, no such consent shall be required by the Owners of a series of Bonds if the Owners of such series are not directly and adversely affected by such amendment or modification and an amendment or modification affecting only one series of Bonds may be adopted with the approval of not less than 60% in aggregate Bond Obligation of the affected series of Bonds.

(b) The Resolution and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the District without the written consent of the Owners:

(1) To add to the covenants and agreements of the District in the Resolution other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(2) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To confirm as further assurance any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution;

(4) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in the Resolution; or

(5) To amend or supplement the Resolution in any other respect, provided such Supplemental Resolution does not adversely affect the interests of the Owners.

(c) Any act done pursuant to a modification or amendment so consented to shall be binding upon all the Owners of the Bonds, and shall not be deemed an infringement of any of the provisions of the Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of the Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

In the Resolution, Bond Obligation is defined as:

From time to time as of the date of calculation, with respect to any Bond, the principal amount thereof.

Unclaimed Moneys

Anything in the Resolution to the contrary notwithstanding, and subject to the escheat laws of the State, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for one (1) year after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Paying Agent after said date when such Bonds become due and payable, shall be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Bond Owners ("Bond Owners") shall look only to the District for the payment of such Bonds; provided, however, that before being required to make such payment to the District, the Paying Agent shall, at the expense of District, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the registration books, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the District.

Debt Service Schedule

The following table sets forth the annual debt service on the Bonds (assuming no optional redemption thereof):

[illegible]

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Series 2026E Bonds are as follows:

Sources and Uses

Sources of Funds

Principal Amount of Bonds	\$
[Original] Issue [Discount]	
Total Sources of Funds	<u>\$</u>

Uses of Funds

Building Fund	\$
Debt Service Fund ⁽¹⁾	
Underwriter's Discount	
Costs of Issuance ⁽²⁾	
Total Uses of Funds	<u>\$</u>

⁽¹⁾ Used to fund capitalized interest on the Series 2026E Bonds through _____, 20__.

⁽²⁾ Represents all costs of issuance, including legal fees, printing costs, rating agency fees, the costs and fees of the Paying Agent and financial advisor, and other costs of issuance of the Series 2026E Bonds.

The estimated sources and uses of funds in connection with the Refunding Bonds are as follows:

Sources and Uses

Sources of Funds

Principal Amount of Bonds	\$
[Original] Issue [Discount]	
Total Sources of Funds	<u>\$</u>

Uses of Funds

Escrow Fund	\$
Underwriter's Discount	
Costs of Issuance ⁽¹⁾	
Total Uses of Funds	<u>\$</u>

⁽¹⁾ Represents all costs of issuance, including legal fees, printing costs, rating agency fees, the costs and fees of the Paying Agent, Verification Agent, and financial advisor, and other costs of issuance of the Refunding Bonds..

Application and Investment of Bonds Proceeds and Tax Revenues

Application of Series 2026E Bond Proceeds. The proceeds from the sale of the Series 2026E Bonds paid to the District by the Underwriter to the extent of the principal amount thereof shall be deposited in the Etiwanda School District Election of 2016 General Obligation Bonds Building Fund, Series 2026E (the "Building Fund") established under the Resolution and shall be kept separate and distinct from all other District and County funds. Interest earned on the investment of moneys held in the Building Fund shall be retained in the Building Fund. The proceeds shall be used for the purpose for which the Series 2026E Bonds are issued.

Any excess proceeds of the Series 2026E Bonds not needed for the purpose for which the Series 2026E Bonds are issued shall be transferred from the Building Fund to the Debt Service Fund and applied to the payment of principal and interest on the Series 2026E Bonds. If after payment in full of the Series 2026E Bonds there remains excess proceeds, any such excess amounts shall be transferred to the District's General Fund.

The Refunding Plan. The tables on the following page shows information on the specific maturities of the Refunded Series 2017A Bonds.

<u>Maturity Date</u> <u>(August 1)</u>	<u>CUSIP⁽¹⁾</u>	<u>Principal</u> <u>Amount</u> \$	<u>Principal to</u> <u>be Refunded</u> \$	<u>Redemption</u> <u>Date</u>	<u>Redemption Price</u> <u>(% of Principal Amount)</u>
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A portion of the proceeds from the sale of the Refunding Bonds will be used defease the Refunded Series 2017A Bonds. The District will enter into an Escrow Agreement with regard to the Refunded Series 2017A Bonds (the "Escrow Agreement"), dated as of November 1, 2026, by and between the District and the Paying Agent, as Paying Agent for the Refunded Series 2017A Bonds and as escrow agent (the "Escrow Agent"). An irrevocable escrow fund will be established under the Escrow Agreement (the "Escrow Fund"). The moneys deposited with the Escrow Agent will be sufficient to redeem the Refunded Series 2017A Bonds on February 1, 2027 (the "Redemption Date"). Moneys on deposit in the Escrow Fund will be either invested in United States Treasury Obligations, State and Local Government Series ("SLGS") or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest (the "Investment Securities"), or held uninvested as cash. The amounts and Investment Securities in the Escrow Fund will be held by the Escrow Agent for the benefit of the owners of the Refunded Series 2017A Bonds and will be applied to redeem the Refunded Series 2017A Bonds on February 1, 2027 . Upon the establishment of the Escrow Fund as described above, the Refunded Series 2017A Bonds will be defeased under the resolution pursuant to which the Refunded Series 2017A Bonds were issued and the owners of the Refunded Series 2017A Bonds will have no rights thereunder except to be paid the principal and interest due on the Refunded Series 2017A Bonds from amounts in the Escrow Fund.

Causey Public Finance, LLC, upon delivery of the Refunding Bonds, will deliver a verification report relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay the principal of, interest on and the redemption price with respect to the Refunded Series 2017A Bonds on the Redemption Date.

Cost of Issuance Fund, Ad Valorem Tax and Rebate Fund. Upon the issuance of the Bonds, the District and the Treasurer of the County will cause \$_____ of Bond proceeds, consisting of \$_____ of the Series 2026E Bonds proceed and \$_____ of the Refunding Bonds proceeds, to be transferred to the Costs of Issuance Fund which will be held by the Paying Agent and amounts therein will be applied to pay the costs of issuing the Bonds.

The original issue premium received by the District from the sale of the Bonds and the *ad valorem* property taxes securing the payment of the Bonds, when received, shall be kept separate and apart in the Etiwanda School District General Obligation Bonds Debt Service Fund, Series 2026 (the "Debt Service Fund")

established under the Resolution and used for payments of principal and interest on the Bonds. Interest earned on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal and interest on the Bonds when due.

Amounts which the District determines are required to be rebated to the federal government will be deposited in the Etiwanda School District Election of 2016 General Obligation Bonds Rebate Fund, Series 2026 (the “Rebate Fund”) established under the Resolution.

Investment of Bond Proceeds. Moneys held in the Building Fund, the Escrow Fund, the Debt Service Fund and the Rebate Fund established under the Resolution may be invested in any investment permitted by law.

It is anticipated that moneys in the Building Fund, the Rebate Fund and the Debt Service Fund will be invested in the San Bernardino County Treasurer’s Pooled Investment Fund. All funds held by the County Treasurer in the Building Fund and the Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the District, in investment pools of the County into which the District may lawfully invest its funds, any investment authorized pursuant to the California Government Code, all in accordance with the investment policy of the County, as such statutes and investment policy may be amended or supplemented from time to time. Under existing law, amounts in the Building Fund are required to be invested in the County treasury and will be invested in the San Bernardino County Treasurer’s Pooled Investment Fund. See Appendices D and E hereto.

SECURITY FOR THE BONDS

The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of the County is empowered and obligated annually to levy *ad valorem* taxes, without limitation of rate or amount, for the payment of the principal and interest on the Bonds due and payable in the next succeeding bond year (less amounts on deposit in the Debt Service Fund established under the Resolution), upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The Resolution pledges as security for the Bonds the proceeds from the levy of the *ad valorem* tax which are collected and allocated to the payment of the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

The District currently has \$108,309,923 principal amount (exclusive of accreted interest) of general obligation bonds outstanding. Following the issuance of the Bonds, the District will have a total of \$117,994,923* principal amount (exclusive of accreted interest) of general obligation bonds outstanding.

The amount of the annual *ad valorem* tax levied 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 in any year. 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. Economic and other factors beyond the District’s control could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. These factors include a general market decline in real property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the federal government, the State of California (the “State”) and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination.

The assessed valuation of property in the District decreased from fiscal year 2009 through 2011 before increasing thereafter. While the assessed valuations in the District have increased since 2011, future declines

* Preliminary, subject to change.

in real estate values in southern California, natural disasters or other factors could result in lower assessed values in the District and, in turn, both a higher annual tax rate within the District and a higher level of delinquencies in tax payments. The County has adopted the Teeter Plan (defined below). As a result, the District's receipt of property taxes from the County is not subject to delinquencies. See "TAX BASE FOR REPAYMENT OF THE BONDS—*Ad Valorem* Property Taxation—*Teeter Plan*."

Seismic Events. The District is located in a seismically active region. Active earthquake faults include the Cucamonga Fault and Red Hill Fault, each of which runs near the District. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Drought. California has experienced cyclical severe drought conditions over the past several years. Most recently, in April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. These drought emergencies were eventually expanded to include all California counties by October of 2021. Among other actions, the Governor also issued Executive Order N0-27-22, which directed the State Water Control Board to issue drought declarations, including a recommendation to have urban water suppliers initiate water shortage contingency plans. Significant snowfall and precipitation in the State commencing in January 2023 have generally eliminated most of the State's drought conditions. In addition, on March 24, 2023, the Governor rescinded most of his emergency drought declarations, including Executive Order N0-27-22. The District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future.

Wildfires. Major wildfires have occurred in recent years in different regions of the State, including recently in San Bernardino County. The District has not sustained any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the County and the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates. Portions of the District have been designated as within High and Very High Fire Hazard Severity Zones by the Office of the State Fire Marshal and wildfire risks are believed to be especially acute in areas of wildland-urban interface (zones of transition between unoccupied land and human development) and mountainous or hilly terrain, each of which can be found in portions of the District. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. Wildfire risks may also make it difficult for homeowners to obtain casualty loss insurance from commercial carriers, which could affect the ability and willingness of homeowners to move to or continue to reside within the District.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Public Health Emergencies. From January 30, 2020 to May 5, 2023, the World Health Organization declared a public health emergency over the global outbreak of the disease known as COVID-19 ("COVID-19"), an upper respiratory tract illness. The COVID-19 pandemic greatly impacted the economic conditions within the United States of America. There could be future COVID-19 outbreaks or other similar public health emergencies that could have material adverse effects on the District's operations and finances. In addition, the

District cannot predict whether future pandemics will occur and whether any such pandemics may impact its finances or operations.

It is not possible for the District to make any representation regarding the extent to which natural disasters, including earthquakes, drought, wildfires and public health emergencies could cause reduced economic activity within the boundaries of the District or the extent to which natural disasters may impact the value of taxable property within the District.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE BONDS.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes *ad valorem* property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable primarily from *ad valorem* taxes levied and collected by the County on taxable property in the District. The District's General Fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

The collection of property taxes is significant to the District and the owners of the Bonds in two respects. First, amounts allocated to the District from the general 1% *ad valorem* property tax levy, which is levied in accordance with Article XIII A of the California Constitution and its implementing legislation, funds a portion of the District's revenues which are used to operate the District's educational program. See "DISTRICT FINANCIAL MATTERS—Revenue Sources" below. Second, the Board of Supervisors of the County is obligated to levy and collect *ad valorem* taxes on all taxable parcels in the District which are pledged specifically to the repayment of the Bonds. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in fiscal year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year

property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer-Tax Collector of the county levying the tax.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 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) seizing and selling personal property improvements or possessory interests belonging or assessed to the delinquent taxpayer.

District Assessed Valuation. Both the general 1% *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property within the District is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values 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 XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.”

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.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or filed in the future will not significantly reduce the assessed valuation of property within the District.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization. State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a “going concern” rather than as individual pieces of real or personal property. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the State Board of Equalization, 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.

Teeter Plan. Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies levied on the secured roll, but do not receive interest or penalties on delinquent taxes collected by the county. The County has adopted the Teeter Plan, and consequently the Teeter Plan is available to local taxing entities within the County, such as the District. The District’s receipt of property taxes levied on the secured roll is therefore not subject to delinquencies so long as the Teeter Plan remains in effect. The District can give no assurance that the Teeter Plan will remain in effect, in its present form, during the term of the Bonds. However, the District is not presently aware of any plans by the County to discontinue the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least 55% of the participating revenue districts in the County. In the event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Historical Data Concerning District Tax Base

The information provided in Tables 1 through 6 below has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified this information and does not guarantee its accuracy.

Property within the District has a total assessed valuation for fiscal year 2026-27 of \$18,671,782,608. Table 1A represents the ten-year history of assessed valuations in the District. It is possible that there may be future reductions of assessed valuation in the District if there is weakness in the local real estate market or if other events occur that adversely impact property in the District.

Table 1A
ETIWANDA SCHOOL DISTRICT
Assessed Valuations

	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2016-17	\$11,194,324,385	\$23,564,149	\$291,929,767	\$11,509,818,301
2017-18	11,949,219,285	23,864,149	257,956,992	12,231,040,426
2018-19	12,717,945,129	7,394,149	261,986,343	12,987,325,621
2019-20	13,292,038,108	506,444	279,706,511	13,572,251,063
2020-21	13,822,332,614	506,444	266,366,433	14,089,205,491
2021-22	14,297,578,813	506,444	266,056,660	14,564,141,917
2022-23	15,314,429,124	506,444	257,292,104	15,572,227,672
2023-24	16,131,110,487	533,812	260,716,095	16,392,360,394
2024-25	16,994,751,539	533,812	260,099,953	17,255,385,304
2025-26	17,863,796,424	533,812	253,396,879	18,117,727,115

Source: California Municipal Statistics, Inc.

Assessed valuation within the District by jurisdiction for fiscal year 2025-26 is shown in Table 1B.

Table 1B
ETIWANDA SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2025-26

<i>Jurisdiction:</i>	<i>Assessed Valuation in School District</i>	<i>% of School District</i>	<i>Assessed Valuation of Jurisdiction</i>	<i>% of Jurisdiction in School District</i>
City of Fontana	\$ 5,383,451,029	29.71%	\$ 35,739,080,893	15.06%
City of Rancho Cucamonga	12,457,595,632	68.76	38,874,972,772	32.05
Unincorporated San Bernardino County	<u>276,680,454</u>	<u>1.53</u>	53,666,070,441	0.52
Total District	\$ 18,117,727,115	100.00%		
San Bernardino County	\$ 18,117,727,115	100.00%	\$ 361,884,663,204	5.01%

Sources: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The County levies and collects all property taxes for property falling within the County's taxing boundaries. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year, and if unpaid, become delinquent after December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment plus a minimum \$10 cost on the second installment, plus any additional amount determined by the Treasurer-Tax Collector of the County. See “—*Ad Valorem* Property Taxation” herein.

Pursuant to Revenue and Taxation Code Section 4985.2, the County Treasurer-Tax Collector may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

There is no publicly available information showing tax charges and delinquencies solely for the properties within the District. The County has adopted the Teeter Plan. As a result, the District's receipt of *ad*

valorem property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect. See “—*Ad Valorem* Property Taxation—*Teeter Plan*.”

Tax Rates

There are a total of 73 tax rate areas in the District. Table 2 summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area within the District for fiscal years 2021-22 through 2025-26 expressed as a percentage of the assessed value of the property upon which such taxes were levied.

Table 2
ETIWANDA SCHOOL DISTRICT
Summary of *Ad Valorem* Tax Rates
Typical Total Tax Rates (TRA 15-022)⁽¹⁾

	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Chaffey Union High School District Bond	.0375	0.0294	0.0316	0.0318	.0300
Chaffey Community College District Bond	.0241	0.0137	0.0100	0.0100	.0196
Etiwanda School District	.0034	0.0323	0.0238	0.0242	.0245
Metropolitan Water District	<u>.0035</u>	<u>0.0035</u>	<u>0.0035</u>	<u>0.0070</u>	<u>.0070</u>
Total	1.0685%	1.0789%	1.0689%	1.0730%	1.0811%

⁽¹⁾ 2025-26 assessed valuation of TRA 15-022 is \$2,670,265,955 which is 14.74% of the district’s total assessed valuation.
Source: California Municipal Statistics, Inc.

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Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of the District is shown in Table 3 below. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement.

Table 3
ETIWANDA SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
As of September 4, 2026

2025-26 Assessed Valuation: \$18,117,727,115

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/26</u>
Metropolitan Water District	0.397%	\$ 63,699
Chaffey Community College District	9.828	42,086,936
Chaffey Union High School District	19.145	117,421,590
Etiwanda School District	100.	108,309,923⁽¹⁾
Etiwanda School District Community Facilities Districts	100.	49,445,000
San Bernardino County Community Facilities District No. 2002-1	40.491	4,409,470
City of Fontana Community Facilities Districts	53.489 - 100.	19,062,569
City of Rancho Cucamonga Community Facilities Districts	62.197 - 100.	35,602,677
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 376,401,864
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	5.006%	\$ 3,416,345
San Bernardino County Flood Control District General Fund Obligations	5.006	1,866,988
Chaffey Community College District General Fund Obligations	9.828	1,928,745
City of Fontana General Fund Obligations	15.063	23,212,836
West Valley Vector Control District Certificates of Participation	9.528	84,631
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 30,509,545
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$ 66,687,943
COMBINED TOTAL DEBT		\$ 473,599,352⁽²⁾

Ratios to 2025-26 Assessed Valuation:

Direct Debt (\$108,309,923)	0.60%
Direct and Overlapping Tax and Assessment Debt.....	2.08%
Combined Total Debt.....	2.61%

Ratios to Redevelopment Incremental Valuation (\$10,575,992,925):

Total Overlapping Tax Increment Debt	0.63%
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⁽¹⁾ Excludes issue to be sold.

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

Source: California Municipal Statistics, Inc.

Largest Taxpayers

Table 4 below lists the 20 largest secured property taxpayers within the District measured by assessed valuation for fiscal year 2026-27.

Table 4
ETIWANDA SCHOOL DISTRICT
Twenty Largest 2025-26 Local Secured Property Taxpayers

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>2025-26 Assessed Valuation</i>	<i>Percentage of Total⁽¹⁾</i>
1.	Rancho Mall LLC	Shopping Center/Mall	\$ 358,168,493	2.00%
2.	Homecoming I at Terra Vista LLC	Apartments	194,084,438	1.09
3.	Speedway Commerce Center Development	Industrial	175,212,477	0.98
4.	MG Victoria Arbors Apartments	Apartments	148,942,666	0.83
5.	TA Angelica Apartments LP	Apartments	141,830,449	0.79
6.	TA Realty Value-Add Fund XIII REIT	Apartments	130,528,584	0.73
7.	Goodman Rancho SPE LLC	Industrial	129,076,754	0.72
8.	Knickerbocker Barrington Place LLC	Apartments	121,405,341	0.68
9.	Homecoming V at Terra Vista LLC	Apartments	117,427,500	0.66
10.	BTC III Arrow Route CC LP	Industrial	104,062,056	0.58
11.	Prologis-A3 CA I LP	Industrial	90,105,853	0.50
12.	CRP/WP Alta Cuvee IX Owner LLC	Apartments	79,904,000	0.45
13.	Wal-Mart Real Estate Business Trust	Shopping Center	70,025,157	0.39
14.	Core Rancho LLC	Apartments	67,507,476	0.38
15.	G&I XI Falcon Ridge LP	Shopping Center	64,700,000	0.36
16.	Palmtree Acquisition Corporation	Industrial	64,699,531	0.36
17.	USCLP CA Cherry LLC	Industrial	64,265,484	0.36
18.	BTC III Etiwanda Commerce Center LP	Undeveloped	63,863,488	0.36
19.	CCG Ontario LLC	Industrial	62,721,366	0.35
20.	CRP/NC Tree Island Owner LLC	Industrial	58,699,660	0.33
			<u>\$ 2,307,230,773</u>	<u>12.92%</u>

⁽¹⁾ 2025-26 Local Secured Assessed Valuation: \$17,863,796,424.
Source: California Municipal Statistics, Inc.

Table 5 below describes the District's total secured assessed valuation measured by land use type in fiscal year 2026-27.

Table 5
ETIWANDA SCHOOL DISTRICT
2025-26 Assessed Valuation and Parcels by Land Use⁽¹⁾

	<i>2025-26 Assessed Valuation⁽²⁾</i>	<i>% of Total</i>	<i>No. of Parcels</i>	<i>% of Total</i>
<u>Non-Residential:</u>				
Agricultural	\$ 10,769,703	0.06%	27	0.10%
Commercial	1,238,911,632	6.94	188	0.67
Industrial	929,115,184	5.20	108	0.39
Recreational	16,485,000	0.09	7	0.03
Government/Social/Institutional	19,394,741	0.11	21	0.08
Miscellaneous	<u>658,002</u>	<u>0.00</u>	<u>544</u>	<u>1.94</u>
Subtotal Non-Residential	\$ 2,215,334,262	12.40%	895	3.20%
<u>Residential:</u>				
Single Family Residence	\$ 13,175,458,783	73.76%	23,325	83.31%
Condominium	875,435,706	4.90	2,226	7.95
2-4 Residential Units	6,969,511	0.04	9	0.03
5+ Residential Units/Apartments	1,057,265,870	5.92	22	0.08
Miscellaneous Residential	<u>156,833</u>	<u>0.00</u>	<u>4</u>	<u>0.01</u>
Subtotal Residential	\$ 15,115,286,703	84.61%	25,586	91.39%
Vacant/Undeveloped	\$ 533,175,459	2.98%	1,516	5.41%
Total	\$ 17,863,796,424	100.00%	27,997	100.00%

⁽¹⁾ Some totals may not add up due to rounding.

⁽²⁾ Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation Per Parcel of Single Family Homes

Table 6 below shows the number of parcels with single family homes within certain ranges of assessed valuation in the District for fiscal year 2026-27.

Table 6
ETIWANDA SCHOOL DISTRICT
Assessed Valuation per Parcel of Single Family Homes
Fiscal Year 2025-26

<i>Parcels</i>	<i>2025-26 Assessed Valuation</i>		<i>Average Assessed Valuation</i>		<i>Median Assessed Valuation</i>	
23,325	\$13,175,458,783		\$564,864		\$528,069	
<i>2025-26 Assessed Valuation</i>	<i>No. of Parcels⁽¹⁾</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>	<i>Total Valuation</i>	<i>% of Total</i>	<i>Cumulative % of Total</i>
\$0 - \$49,999	33	0.141%	0.141%	\$1,294,068	0.010%	0.010%
\$50,000 - \$99,999	56	0.240	0.382	4,362,596	0.033	0.043
\$100,000 - \$149,999	148	0.635	1.016	18,810,540	0.143	0.186
\$150,000 - \$199,999	382	1.638	2.654	68,975,682	0.524	0.709
\$200,000 - \$249,999	910	3.901	6.555	208,430,308	1.582	2.291
\$250,000 - \$299,999	1,609	6.898	13.453	443,544,112	3.366	5.658
\$300,000 - \$349,999	1,790	7.674	21.128	582,640,596	4.422	10.080
\$350,000 - \$399,999	1,840	7.889	29.016	689,143,161	5.231	15.310
\$400,000 - \$449,999	1,845	7.910	36.926	783,387,969	5.946	21.256
\$450,000 - \$499,999	1,914	8.206	45.132	910,859,954	6.913	28.169
\$500,000 - \$549,999	1,945	8.339	53.471	1,020,133,065	7.743	35.912
\$550,000 - \$599,999	1,900	8.146	61.616	1,090,802,243	8.279	44.191
\$600,000 - \$649,999	1,632	6.997	68.613	1,019,309,829	7.736	51.928
\$650,000 - \$699,999	1,444	6.191	74.804	973,909,304	7.392	59.319
\$700,000 - \$749,999	1,292	5.539	80.343	936,015,485	7.104	66.424
\$750,000 - \$799,999	1,074	4.605	84.947	830,498,651	6.303	72.727
\$800,000 - \$849,999	773	3.314	88.262	636,142,608	4.828	77.555
\$850,000 - \$899,999	582	2.495	90.757	508,011,390	3.856	81.411
\$900,000 - \$949,999	430	1.844	92.600	397,181,230	3.015	84.426
\$950,000 - \$999,999	364	1.561	94.161	354,226,956	2.689	87.114
\$1,000,000 and greater	<u>1,362</u>	<u>5.839</u>	100.000	<u>1,697,779,036</u>	<u>12.886</u>	100.000
	23,325	100.000%		\$ 13,175,458,783	100.000%	

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

THE DISTRICT

Introduction

The District, established in 1883, currently operates thirteen elementary schools, four intermediate schools, and one District Education Center. Encompassing approximately 47.5 square miles, by assessed valuation for fiscal year 2026-27, the District comprises approximately 68.58% of the City of Rancho Cucamonga, approximately 29.78% of the City of Fontana and approximately 1.64% of the unincorporated area of San Bernardino County. Approximately 61% of the student population of the District resides in the City of Rancho Cucamonga, approximately 38% resides in the City of Fontana and approximately 1% resides in unincorporated areas of the County. The total projected enrollment for fiscal year 2026-27 is 13,545 students.

Board of Trustees

The District is governed by a five-member Board. Members are elected to serve alternating four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Board appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. See “THE DISTRICT.”

Table 7
ETIWANDA SCHOOL DISTRICT
Board of Trustees

<i>Name</i>	<i>Term Expires</i>
Matthew Gordon, President	November 2026
Dayna Karsch, President Pro Tempore	November 2026
Cathline Fort, Clerk	November 2028
April McAllaster, County Representative	November 2028
Dr. Fermín Jaramillo, Member	November 2026

Source: The District.

Superintendent and Administrative Personnel

The District Superintendent (the “Superintendent”) is the chief executive officer of the District and is appointed by the Board to manage the day-to-day operations of the District. Laura Rowland serves as the Superintendent. Brief biographical information for the Superintendent and other senior management of the District is set forth below.

Laura Rowland, Superintendent. Ms. Rowland has served the District since 1998. She has served as a teacher, school administrator, and in multiple district leadership roles, including Director of Instruction, Director of Pupil Services, and Assistant Superintendent of Personnel Services. Ms. Rowland received a Bachelor of Arts degree in Liberal Studies from the University of LaVerne, a California Certificated Teaching Credential and a Master of Arts degree in Educational Leadership from Azusa Pacific University

Doug Claflin, Assistant Superintendent, Business Services. Mr. Claflin has served as Assistant Superintendent, Business Services since 2002. He has worked for the District since 1995, first as the Director of Technology and then as an administrator of business services. Mr. Claflin received his Bachelor of Science degree in Mathematics from the University of California, Riverside and his Master of Science degree in Computer Information Systems from Claremont Graduate School.

Employee Relations

In the fall of 1974, the State Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers of the District (certificated personnel) are represented by the Etiwanda Teachers Association (the “ETA”). The collective bargaining agreement between the ETA and the District (the “ETA Collective Bargaining Agreement.”) expired on June 30, 2026. The expired ETA Collective Bargaining Agreement states that the ETA and the District will re-open the full contract for review and negotiations during the 2026-27 school year. The ETA and the District are currently negotiating the terms for the new ETA Collective Bargaining Agreement. The District’s adopted budget for fiscal year 2026-27 did not assume any

increase with respect to certificated employee base salaries in fiscal year 2026-27 above and beyond contracted “step and column” increases. See “DISTRICT FINANCIAL MATTERS—Current Financial Condition.”

As of June 30, 2026, the District employed 826 certificated employees with a total covered annual payroll of approximately \$97,830,740. Table 8 below lists the number of certificated employees for the previous five fiscal years.

Table 8
ETIWANDA SCHOOL DISTRICT
Certificated Employees

<i>Fiscal Year</i>	<i>Number of Employees</i>
2021-22	799
2022-23	747
2023-24	759
2024-25	807
2025-26	826

Source: The District.

The classified personnel of the District are not represented by an exclusive bargaining agent. As of June 30, 2026, the District employed 1,126 classified employees with a total covered annual payroll of approximately \$40,882,177. Table 9 below lists the number of classified employees for the previous five fiscal years.

Table 9
ETIWANDA SCHOOL DISTRICT
Classified Employees

<i>Fiscal Year</i>	<i>Number of Employees</i>
2021-22	991
2022-23	950
2023-24	1058
2024-25	1126
2025-26	1172

Source: The District.

Retirement System

This section contains certain information relating to the Public Employees’ Retirement System (“PERS”) and the State Teachers’ Retirement System (“STRS”). The information is primarily derived from information publicly available from PERS and STRS, their independent accountants and their actuaries. The District has not independently verified the information regarding PERS and STRS and makes no representations nor expresses any opinion as to the accuracy of the information regarding PERS and STRS.

The comprehensive annual financial reports of PERS and STRS are available on their websites at www.calpers.ca.gov and www.calstrs.ca.gov, respectively. The PERS and STRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. The information on these websites is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of

which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

District Contributions to STRS and PERS and Net Pension Liability. District employees are members of two retirement systems, as described below. Certificated personnel are generally members of STRS and classified personnel are generally members of PERS.

The District's contribution to STRS was \$23,588,371 in fiscal year 2022-23 and \$25,327,371 in fiscal year 2023-24. The District's contribution to STRS was \$26,047,749 from its General Fund in fiscal year 2024-25. The District projects \$27,391,813 as its contribution to STRS from its General Fund in fiscal year 2025-26. The District has budgeted \$28,004,687 as its contribution to STRS from its General Fund in fiscal year 2026-27. The foregoing amounts do not include on-behalf contributions towards STRS made by the State.

The District's contribution to PERS was \$6,157,255 in fiscal year 2022-23 and \$7,344,521 in fiscal year 2023-24. The District's contribution to PERS was \$7,764,841 from its General Fund in fiscal year 2024-25. The District projects \$8,290,217 as its contribution to PERS from its General Fund in fiscal year 2025-26. The District has budgeted \$8,954,650 as its contribution to PERS from its General Fund in fiscal year 2026-27.

For additional information regarding the District's participation in STRS and PERS, see Note 14 to the District's audited financial statements for fiscal year 2024-25 attached as Appendix B hereto.

GASB Statement Nos. 101 and 102. In June 2022 and December 2023, the Governmental Accounting Standards Board ("GASB") approved Statements Nos. 101 and 102 (collectively, the "Statements"). The GASB Statement No. 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A leave that has not been used is recognized as a liability if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, the GASB Statement No. 101 recommends considering relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. The GASB Statement No. 101 further recommends that the leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Certain types of compensated absences, including parental leave, military leave, and jury duty leave, are not recognized as a liability until the leave commences, but certain other types of compensated absences are not recognized as a liability until the leave is used. The GASB Statement No. 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. Additionally, under this statement, a liability for leave that has been used but not yet paid or settled is recommended to be measured at the amount of the cash payment or noncash settlement to be made and certain salary-related payments that are directly and incrementally associated with payments for leave is recommended to be included in the measurement of the liabilities.

The GASB Statement No. 102 requires the management to evaluate whether there are risks related to a government's vulnerability due to certain concentrations or constraints that require disclosure. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement

requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, this statement recommends to disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Such disclosure should include descriptions of (1) the concentration or constraint, (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements and (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

As of June 30, 2025, the District adopted the Statements. Due to the change in accounting principle from the adoption of the GASB Statement No. 101, the District's compensated absences current portion and noncurrent portion were increased by \$5,446,410 and \$3,620,330, respectively, as of July 1, 2024. The District's restated beginning net position on July 1 2024 was adjusted to \$225,625,739. See Note 17 to the District's audited financial statements for fiscal year 2024-25 attached as Appendix B hereto. The District did not report any significant changes based on the implementation of the GASB Statement No. 102. The District's net pension liability was \$142,511,829 as of June 30, 2025, of which \$90,697,572 was attributable to STRS and \$51,814,257 to PERS.

The District's proportionate shares of the net pension liabilities, pension expense and deferred inflow of resources for STRS and PERS and a deferred outflow of resources for STRS and PERS, as of June 30, 2025, are as shown in the following table:

SPECIFIC PENSION PLAN INFORMATION AS OF JUNE 30, 2025

<i>Pension Plan</i>	<i>Net Pension Liability</i>	<i>Deferred Outflows Related to Pensions</i>	<i>Deferred Inflows Related to Pensions</i>	<i>Pension Expense</i>
STRS	\$ 90,697,572	\$ 32,146,414	\$ 13,135,276	\$ 9,533,846
PERS	<u>51,814,257</u>	<u>17,793,370</u>	<u>552,629</u>	<u>10,337,359</u>
Total	<u>\$ 142,511,829</u>	<u>\$ 49,939,784</u>	<u>\$ 13,687,905</u>	<u>\$ 19,871,205</u>

Source: The District.

For additional information regarding the District's participation in STRS and PERS, see Note 14 to the District's audited financial statements for fiscal year 2024-25 attached as Appendix B hereto.

The District can make no representations regarding the future program liabilities of STRS or PERS, or whether the District will be required to make additional contributions to STRS and PERS in the future above those amounts currently projected as described below.

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employer, employee or State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required

amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program increased significantly. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“AB 1469”) into law as a part of the State’s fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), by June 30, 2046, by increasing member, K-14 school district and State contributions to STRS.

Pursuant to the Reform Act (defined below), the contribution rates for members (the “PEPRA Members”) hired after January 1, 2013 (the “Implementation Date”) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. This adjustment does not apply to members (the “Classic Members”) hired before the Implementation Date. For fiscal year commencing July 1, 2026, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members, as shown above. Recent employee (member) contribution rates are set forth in the table below.

Table 10
MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.15%	8.150%
July 1, 2015	9.20	8.560
July 1, 2016	10.25	9.205
July 1, 2017	10.25	9.205
July 1, 2018	10.25	10.205
July 1, 2019	10.25	10.205
July 1, 2020	10.25	10.205
July 1, 2021	10.25	10.205
July 1, 2022	10.25	10.205
July 1, 2023	10.25	10.205
July 1, 2024	10.25	10.205
July 1, 2025	10.25	10.205
July 1, 2026	10.25	10.205

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts’ employer contribution rates increased over a seven-year phase-in period in accordance with the schedule set forth in the table below.

Table 11
K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

<i>Effective Date</i>	<i>K-14 School Districts⁽¹⁾</i>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10
July 1, 2021	16.92
July 1, 2022	19.10
July 1, 2023	19.10
July 1, 2024	19.10
July 1, 2025	19.10
July 1, 2026	19.10

⁽¹⁾ Percentage of eligible salary expenditures to be contributed.

⁽²⁾ The fiscal year 2020-21 State budget redirected the supplemental payment paid by the State on behalf of employers as part of the fiscal year 2019-20 State budget. The supplemental payment was used to reduce the contribution rate for employers by 1.03% of payroll in fiscal year 2019-20, 2.95% of payroll in fiscal year 2020-21 and 2.18% of payroll in fiscal year 2021-22.

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' employer contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the State's fiscal year 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's fiscal year 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal years 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal years 2022-23, 2023-24, 2024-25 and 2025-26 and remains 19.1% in fiscal year 2026-27.

The State also contributed to STRS in an amount equal to 10.828% for fiscal year 2025-26. The State's contribution to STRS for fiscal year 2026-27 will remain 10.828%. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, the State is currently required to make an annual General Fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2025 included 1,605 public agencies and 1,351 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The employer contribution rate was 26.81% in fiscal year 2025-26 and is 26.40% in fiscal year 2026-27. Classic Members contribute at a rate established by statute, which was 7% in fiscal year 2025-26, while PEPRA Members contribute at an actuarially determined rate, which was 8% in fiscal year 2025-26. On April 14, 2026, the PERS Board of Administration determined that the total normal cost did not change by more than 1% relative to the basis currently in effect. Therefore the PEPRA Member contribution rate remains 8% in fiscal year 2026-27. See "—California Public Employees' Pension Reform Act of 2013" herein.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The table below summarizes information regarding the recent actuarially-determined accrued liability for both STRS and PERS (Schools Pool). Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Table 12
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2016-17 through 2024-25

STRS					
<i>Fiscal Year</i>	<i>Accrued Liability</i>	<i>Value of Trust Assets (MVA)⁽²⁾</i>	<i>Unfunded Liability (MVA)⁽³⁾</i>	<i>Value of Trust Assets (AVA)⁽⁴⁾</i>	<i>Unfunded Liability (AVA)⁽⁴⁾⁽⁵⁾</i>
2016-17	\$286,950	\$197,718	\$103,468	\$179,689	\$107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,586
2023-24	380,507	321,920	85,532	291,838	88,669
2024-25	395,525	349,525	75,038	313,533	81,992

PERS					
<i>Fiscal Year</i>	<i>Accrued Liability</i>	<i>Value of Trust Assets (MVA)⁽²⁾</i>	<i>Unfunded Liability (MVA)⁽³⁾</i>	<i>Value of Trust Assets (AVA)</i>	<i>Unfunded Liability (AVA)</i>
2016-17	\$ 84,416	\$60,865	\$23,551	-- ⁽⁶⁾	-- ⁽⁶⁾
2017-18	92,071	64,846	27,225	-- ⁽⁶⁾	-- ⁽⁶⁾
2018-19 ⁽⁷⁾	99,528	68,177	31,351	-- ⁽⁶⁾	-- ⁽⁶⁾
2019-20 ⁽⁸⁾	104,062	71,400	32,662	-- ⁽⁶⁾	-- ⁽⁶⁾
2020-21	110,507	86,519	23,988	-- ⁽⁶⁾	-- ⁽⁶⁾
2021-22	116,982	79,386	37,596	-- ⁽⁶⁾	-- ⁽⁶⁾
2022-23	124,924	84,292	40,632	-- ⁽⁶⁾	-- ⁽⁶⁾
2023-24	133,978	93,187	40,791	-- ⁽⁶⁾	-- ⁽⁶⁾
2024-25 ⁽⁹⁾	141,195	105,452	35,743	-- ⁽⁶⁾	-- ⁽⁶⁾

(1) Amounts may not sum to totals due to rounding.

(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

(3) Unfunded Liability (MVA) is equal to the Accrued Liability column minus the Value of Trust Assets (MVA) column minus the amount deposited in the Supplemental Benefits Maintenance Account reserve, which is not available to provide benefits under the STRS Defined Benefit Program.

(4) Based on actuarial value of assets.

(5) Unfunded Liability (AVA) is equal to the Accrued Liability column minus the Value of Trust Assets (AVA) column.

(6) Effective with the June 30, 2014 valuation, PERS no longer uses an actuarial valuation of assets.

(7) For fiscal year 2020-21, the additional \$430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

(8) For fiscal year 2021-22, the impact of the additional \$330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

(9) On April 13, 2026, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2026-27 and released certain actuarial information to be incorporated into the June 30, 2025 actuarial valuation to be released in the latter half of 2026.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2007, through June 30, 2022) (the “2024 Experience Analysis”), on January 10, 2024, the STRS Board adopted a new set of actuarial assumptions that were reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2025 (the “2025 STRS Actuarial Valuation”). The payroll growth assumption was decreased to 3.25% from 3.50% due to the projected need for fewer teachers due to projected declining enrollment in the State over the next 20 years, while the following actuarial assumptions remained unchanged since the prior Experience Analysis: (i) long-term investment return (7.0%) and (ii) price inflation (2.75%). Certain demographic assumptions were also updated, including changing the assumed life expectancy of STRS retirees to more closely reflect recent trends. The 2025 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

The 2025 STRS Actuarial Valuation reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately \$6.68 billion since the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2024 (the “2024 STRS Actuarial Valuation”), and the funded ratio increased by 2.60% from 76.70% to 79.30% over such time period. The reasons for the increase in the funded ratio were the expected year-to-year change due to contributions received to pay down the unfunded actuarial obligation along with other positive factors. STRS funding progress has been helped over the last several years by contribution received that were above the calculated rates. The 2025 STRS Actuarial Valuation projects that such trend will continue to be boosted in the 2025-26 fiscal year by actions taken by the STRS Board during its May 2025 meeting to maintain the state and employer contribution rates at levels higher than the rate calculated under STRS’ valuation policy. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the “Unallocated UAO”). There was a increase in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from \$140 million as of June 30, 2024 to \$367 million as of June 30, 2025.

According to the 2025 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 104.9%. This finding assumes adjustments to contribution rates in line with the funding plan, STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

On November 13, 2025, STRS released its 2025 Review of Funding Levels and Risks (the “STRS 2025 Review of Funding Levels and Risks”), which is based on the 2024 STRS Actuarial Valuation. The STRS 2025 Review of Funding Levels and Risks notes that funding projections have improved slightly since the completion of the June 30, 2024 actuarial valuation that was presented to the Board in May 2025 in part due to the 8.5% (time-weighted return) or 9.3% (money-weighted rate of return) investment return earned by STRS in fiscal year 2024-25. The money-weighted rate of return is what impacts funding levels, and the 9.3% money-weighted investment return exceeded the 7% investment return assumption.

The key results and findings noted in the STRS 2025 Review of Funding Levels and Risks were that (i) current contribution rates for the State and employers are still projected to be sufficient to allow both the State and employers to eliminate their share of the STRS unfunded actuarial obligation by 2046 and the contribution rate increase is not expected to be needed for the fiscal year 2026-27; (ii) the State remains well ahead of schedule to eliminate its share of the STRS unfunded actuarial obligation, and the State’s share is currently projected to be eliminated in 2027, but the State’s share of the unfunded actuarial obligation could quickly increase if STRS were to experience a year in which the investment return is significantly below the assumed rate of return; (iii) the largest risk to STRS’ ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system’s sensitivity to investment experience; (iv) the risk that a negative investment return might impact STRS’ ability to reach full funding is expected to increase once the State fully eliminates its share of STRS’ unfunded

actuarial obligation because of a trigger that will require the State contribution rate to immediately drop to 2.017%, potentially limiting STRS' ability to react to changing conditions and (v) STRS' ability to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term. Uncertain investment markets and a potential decline in the number of teachers could put pressure on STRS' ability to meet some of its long-term actuarial assumptions and impact its ability to reach full funding.

The STRS 2025 Review of Funding Levels and Risks highlighted risks associated with longevity, the size of active membership, a trend amongst charter schools not electing STRS and investment volatility. The STRS 2025 Review of Funding Levels and Risks notes that, overall, STRS experienced greater mortality than projected under previous assumptions, but it remains uncertain whether the pandemic will continue to impact mortality in the long term. In January 2024 the STRS Board adopted new mortality assumptions that were slightly lower than the data indicated, essentially not fully reflecting the impact of the pandemic.

In January of 2024, the STRS Board also adopted a change to the rate at which the payroll is assumed to increase, from 3.5% to 3.25%, which reflects STRS' assumption that the population of active teachers will decline slowly over time (approximately 5% through 2046). The STRS 2025 Review of Funding Levels and Risks notes that if the active membership declines and the payroll fails to grow as assumed, STRS' ability to make progress toward full funding could be at risk. Retirements from active teachers are expected to increase over the next 10 years, approaching some of the levels seen in 2010 when STRS experienced its highest ever number of retirements. Although an increase in retirements does not necessarily impact long term funding, if school districts do not replace teachers who retire in the future, that could result in a reduction in the overall number of teachers and impact STRS ability to reach full funding by 2046. With the anticipated decline in the number of children enrolled in K-12 public schools, the risk that the number of teachers may go down in the future is real and was one of the considerations when the STRS Board lowered the payroll growth assumption. California experienced a significant decline in enrollment in both K-12 public schools and community colleges starting in 2020-21. Total enrollment in K-12 public schools dropped by approximately 310,000, or a 5% reduction, between 2019-20 and 2022-23, while the number of students enrolled at community colleges dropped by 310,000, or a 20% reduction, between the fall of 2019 and the fall of 2021. Since then enrollment has rebounded by almost 200,000 from the fall of 2021 to the fall of 2024. Still, enrollment in community colleges is down more than 7%, or about 115,000, since 2019. In November 2024, the State updated its projection of K-12 enrollments, with the most recent projection anticipating a decline of approximately 10% over the next 10 years and 16% over the next 20 years. If the anticipated reduction in enrollment results in a need for fewer teachers in California, it would impact the number of active teachers who participate in the STRS Defined Benefit Program and ultimately the growth in payroll. One countervailing force that could potentially offset some of the factors listed above would be the reduction of class sizes.

The STRS 2025 Review of Funding Levels and Risks highlights a recent trend among newly created charter schools selecting a retirement system other than STRS. This trend potentially poses a risk to the STRS funding plan if a significant number of charter schools were to elect to not provide retirement benefits through STRS. However, the STRS 2025 Review of Funding Levels and Risks notes that, since the COVID-19 pandemic, the growth in number of charter schools has slowed significantly, resulting in only 73 new charter schools. The total number of charter schools has declined from a peak of 1,325 in 2019-20 to a current total of 1,282 active charter schools, of which 88% still offer STRS benefits. Due to such slowdown in the growth of charter schools, the risk to STRS funding is currently minimal.

The STRS 2025 Review of Funding Levels and Risks notes that investment volatility and the risk that STRS may not be able to meet its assumed investment return over the long-term remains the greatest risk facing STRS today. The combination of a maturing system and the decreasing timeframe of the funding plan only serves to increase this risk. The STRS 2025 Review of Funding Levels and Risks notes that (i) when investment returns are below expectations, the unfunded actuarial obligation increases, requiring additional contributions to bridge the gap, however, the funding plan provides the board limited authority to increase contribution rates for both the State and employers; (ii) the State bears the greatest risk when it comes to investment volatility due to rules set in the funding plan that allocate the largest share of the assets to the state

which results in its share of the unfunded actuarial obligation being the most sensitive to investment volatility; (iii) the STRS Board has authority to increase the State's contribution by a maximum of 0.5% of payroll each year with no limit on the maximum rate; however, the State contribution rate will be reduced to 2.017% of payroll once the State has eliminated its share of the unfunded liability, and (iv) since the funding plan expires in 2046, after which the STRS Board's authority to adjust contribution rates terminates, the time period over which to fund an existing and new unfunded actuarial obligation is declining each year.

On July 30, 2025, STRS reported a net return on investments of 8.5% for fiscal year 2024-25, ending with the total fund value of \$367.7 billion as of June 30, 2025. The 2024-25 return keeps STRS on track long term, as the 5-, 10-, 20-, and 30-year returns, including 9.4% 5-year return, all surpass the actuarial assumption of 7.0%, despite inflation, rising interest rates and geopolitical uncertainty. In its news release reporting the fiscal year 2024-25 investment return, STRS noted that it is ahead of schedule in reaching full funding by 2046.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

Over the last several years, the PERS Board has lowered the PERS' rate of expected price inflation and its investment rate of return (net of administrative costs) (the "PERS Discount Rate"). Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%. On April 15, 2024, the PERS Board removed the automatic mechanism to reduce the discount rate and added a provision to the Funding Risk Mitigation Policy to bring an agenda item to the PERS Board for discussion if a funding risk mitigation event occurs.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies included a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of

funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 18, 2025 (the “2025 Experience Study”), the PERS Board approved new actuarial assumptions, including (i) increasing the inflation rate from 2.30% to 2.50% per year; (ii) maintaining the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 3.00%; (iii) maintaining the payroll growth rate to 2.80% and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These changes in actuarial assumptions were reflected on the 2024 PERS Actuarial Valuation (as defined below). On November 17, 2025, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund’s investment portfolio for the next four years, retained the current 6.8% discount rate and establishing a reference portfolio with a 75/25 mix of equities and bonds, respectively. The new asset allocation took effect July 1, 2026 and will impact contribution rates for employers and PEPRAs Members beginning in fiscal year 2027-28.

The Schools Pool Actuarial Valuation as of June 30, 2024 (the “2024 PERS Actuarial Valuation”) reported that from June 30, 2023 to June 30, 2024 the funded ratio of the Schools Pool increased by 2.1% (from 67.5% to 69.7%), which was partially due to employer contributions towards the unfunded accrued liability and an investment gain, partially offset by a non-investment loss. Based on the final assets as of June 30, 2025, the investment return for 2024-25 was 12.0% after reduction for administrative expenses, generating an actuarial gain of \$4.9 billion. This gain will be amortized over 20 years with a five-year ramp, decreasing the employer contribution rate in 2026-27 by 0.49% of pay. Due to the five-year ramp, this impact will escalate each year until it reaches an estimated reduction of 2.16% pay in 2030-31. Additionally, the changes in actuarial assumptions mentioned above increased unfunded accrued liability by \$0.2 billion, which will be amortized over 20 years. The increased unfunded accrued liability was offset by a decrease in the unfunded liability rate of 0.06% of pay due to payroll being projected at the new 3.0% wage inflation assumption, combined with a 0.46% increase in the employer normal cost rate. The net effect of the assumption changes is an increase of 0.53% in the employer contribution rate. Lastly, the non-investment experience during 2024-25, which includes both demographic experience and economic experience other than from investments, increased unfunded accrued liability by \$0.6 billion, which will be amortized over 20 years, increasing the employer normal cost rate by 0.19% in 2026-27. Combined with a 0.17% decrease in the employer normal cost rate, the net effect of non-investment experiences is an increase of 0.02% in the employer rate. Total reported payroll in 2024-25 increased by 6.6% over the prior year, compared with 2.8% expected. This increase served to reduce the employer contribution rate by 0.61% of pay in 2026-27 as the dollar amount of the unfunded liability contribution is divided by a larger payroll.

On July 14, 2025, PERS reported a preliminary net return on investment of 11.6% for PERF in fiscal year 2024-25. When using the preliminary net return of 11.6% to assess long-term obligations, the overall estimated funded status of the PERF stands at 79%. As of June 30, 2025, assets were valued at \$556.2 billion. The ending value of the PERF for fiscal year 2024-25 will be based on additional factors beyond investment returns, including employer and employee contributions, monthly payments to retirees, and various investment fees. PERS will review the portfolio’s performance in the next few months to determine the final fiscal year returns for 2024-25. The final investment return for fiscal year 2024-25 will be reflected in contribution levels for the State and school district employers in fiscal year 2024-25.

A circular letter published on November 13, 2025 reports that the contribution rate for fiscal year 2026-27 is projected to be 26.4%, the contribution rate for fiscal year 2027-28 is projected to be 26.9%, the contribution rate for fiscal year 2028-29 is projected to be 26.1%, the contribution rate for fiscal year 2029-30 is projected to be 25.3%, and the contribution rate for fiscal year 2030-31 is projected to be 24.2%. The projected contribution rates reflect an investment return for fiscal year 2024-25 of 11.6% (without reduction for administrative expenses). Further, projected rates reflect the anticipated decrease in normal cost due to

new hires entering the PEPRA benefit tiers. The projections assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits or funding will occur during the projection period. Future contribution requirements may differ significantly. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

In November 2024, PERS released its 2024 Annual Review of Funding Levels and Risk (the “2024 PERS Funding Levels and Risk Report”), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The 2024 PERS Funding Levels and Risk Report notes that over the next several years there is the potential for various factors to either further increase required contributions or add additional financial strain on employers and their ability to make required contributions, including inflation and near-term economic turmoil. The 2024 PERS Funding Levels and Risk Report notes that over the last few years, price inflation has been significantly higher than the PERS long-term assumption of 2.3%, which can affect liability measures and investment returns in several ways and which can be difficult to quantify. The most direct impact of high inflation is that retirees can receive higher than expected cost-of-living adjustments and active employees can receive higher than expected salary increases, which could increase actuarial losses in the future. The 2024 PERS Funding Levels and Risk report concludes that, as of June 30, 2023, the PERS Retirement System had experienced a couple of years of investment returns below the expected return of 6.8%, and actuarial losses primarily due to high inflation which resulted in unexpected cost of living adjustments for retirees and higher than expected member pay increases. The foregoing resulted in increased employer contributions along with further increases forecasted for the near future. Despite the strong investment return for the fiscal year ending June 30, 2024, the 2024 PERS Funding Levels and Risk Report notes that employer contributions are currently at relatively high levels due to large amounts of unfunded accrued liability and uncertainty within the economy suggests possible economic turmoil in the near future. The 2024 PERS Funding Levels and Risk Report concludes that the ability of employers to continue making required contributions to the system is the area of greatest concern.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

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 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For PEPRA Members, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increasing the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of

compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Post-Employment Benefits

The District provides a single-employer defined post-employment benefit plan (the “OPEB Plan”) offering medical benefits for eligible retirees. As of June 30, 2025, the OPEB plan consisted of 60 retirees and beneficiaries receiving benefits and 857 active members. The District recognizes these post-employment health care benefits on a pay-as-you-go basis. The District incurred \$800,700 of such expenditures during fiscal year 2023-24, \$644,800 during fiscal year 2024-25, and \$859,100 (based on unaudited actual results) during fiscal year 2025-26.

In June 2015, GASB issued Statement 75, which replaced the requirements under the GASB Statement 45, which was previously used to report the District’s post-employment benefits. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Statement 75 also improves information provided by state and local governmental employers about financial support for other post-employment benefit plans that is provided by other entities. Statement 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, Statement 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. Statement 75 requires the recognition of the total OPEB liability in the Statement of Net Position.

The District’s most recent valuation report for the District OPEB Plan, dated January 6, 2026 (the “2026 Valuation Report”), reflects the application of GASB Statement 75. Based on such actuarial valuation report, the total liability for the District OPEB Plan for fiscal year 2024-25 was \$19,860,806 as of the June 30, 2024 measurement date. This amount represented the present value of all benefits projected to be paid by the District for current and future retirees. The 2026 Valuation Report further reported that the District’s OPEB expense for fiscal year 2024-25 was \$1,535,483 as of June 30, 2024 measurement date. The total liability for the District OPEB Plan was \$26,672,704 and the District’s OPEB Expense was \$2,000,058 for fiscal year 2025-26 as of June 30, 2025 measurement date.

The District recognizes the post-employment health care benefits on a pay-as-you-go basis. The most recent actuarial valuation report for the District OPEB Plan did not provide an actuarially determined contribution for the District OPEB Plan (i.e. a contribution amount that is projected to fully fund the District OPEB Plan over a period of amortization). The changes in net District OPEB Plan liability as of June 30, 2025, are shown in the following table:

<i>Total OPEB Plan Liability</i>	<i>June 30, 2025</i>
Service Cost	\$ 1,497,998
Interest	707,726
Differences between expected and actual experiences	(122,474)
Change of assumptions	(456,283)
Benefits payments	(936,312)
Net Change in total OPEB Liability	690,655
Total OPEB Liability, beginning	<u>19,170,151</u>
Total OPEB Liability, ending	\$ 19,860,806

Source: Etiwanda School District Audited Financial Statements for fiscal year 2024-25.

Additional information regarding the OPEB Plan is set forth in Note 10 to the District's 2024-25 Audited Financial Statements attached as Appendix B hereto.

Insurance

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District obtains property, liability and workers' compensation insurance coverage from the California Schools Risk Management ("CSRM"), a joint powers authority, which arranges for and provides such insurance for its member districts. The District pays premiums commensurate with the level of coverage requested through the CSRM. The Schools Excess Liability Fund (SELF) provides excess insurance to the District for claims up to \$25,000,000. Settled claims have not exceeded commercial coverage in any of the last three years. There has not been any significant reduction in coverage in the last year.

CSRM is established pursuant to the provisions of the California Government Code and has local public entities as participants. Each participating district has one seat and one vote on the board of directors. The CSRM board controls its operation, including selection of management, and approval of operating budgets, independent of any influence of the member districts beyond their representation on the board. The relationship between the District and CSRM is such that CSRM is not a component unit of the District for financial reporting purposes. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in CSRM.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District is subject to multiple 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 access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the District has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the District's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the District. Additionally, the District carries cybersecurity insurance through CSRM that provides coverage for between \$50,000 and \$7,000,000 per occurrence based on the type of claim, subject to a \$100,000 deductible.

DISTRICT FINANCIAL MATTERS

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles and are in accordance with the 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 State school districts.

The District generally adopts the Government Accounting Standards Board Statements for its financial reporting. Changes to the GASB Statements can result in changes in accounting principles which impact the District's financial reporting and results. See Note 1 to the District's audited financial statements for fiscal year 2024-25 attached as Appendix B hereto.

District Budget

The District is required by provisions of the California Education Code to maintain each fiscal year a balanced budget in which the sum of expenditures plus the ending fund balance from the previous fiscal year cannot exceed the revenues plus the carry over fund balance from the previous year. The California State Department of Education (the "Department") imposes a uniform budgeting format for each school district in the State.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent of Schools (the "County Superintendent") within five days of adoption or by July 1, whichever occurs first. The budget is only readopted if it is disapproved by the County Superintendent, or as needed.

Upon receipt of an adopted budget, the County Superintendent will (a) 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, (b) determine if the adopted budget allows the district to meet its current obligations, (c) determine if the adopted budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, (d) determine whether the adopted budget includes the expenditures necessary to implement the local control and accountability plan or annual update thereto, and (e) determine whether the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. On or before September 15, the County Superintendent will approve, conditionally approve or disapprove the adopted budget for each school district.

If the County Superintendent determines that the adopted budget does not satisfy one or more of the requirements set forth in the preceding paragraph, the County Superintendent shall transmit recommendations regarding revisions to the adopted budget to the school district and the reasons therefor. The County Superintendent may assign a fiscal advisor to assist the school district to develop a budget in compliance with those revisions. In addition, the County Superintendent may appoint a committee to examine and comment on the review and recommendations, subject to the requirement that the committee report its findings to the County Superintendent no later than September 20.

If the adopted budget of a school district is conditionally approved or disapproved by the County Superintendent, on or before October 8, the governing board of the school district, in conjunction with the County Superintendent, shall review and respond to the recommendations of the County Superintendent at a regular meeting of the governing board of the school district. The response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.

No later than October 22, the County Superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget has been disapproved.

Upon receipt of a revised budget, the County Superintendent must determine whether the revised budget conforms to the standards and criteria applicable to final district budgets. If the revised budget is disapproved, the County Superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1, unless the governing board of the school district and the County Superintendent agree to waive the requirement that a budget review committee be formed and the Department approves the waiver after determining that a budget review committee is not necessary.

If a budget review committee is appointed and recommends approval of the adopted budget, the County Superintendent shall accept the recommendation of the committee and approve the adopted budget.

If the budget review committee disapproves the adopted budget, the governing board of the school district, not later than five working days after the receipt of the report from the budget review committee, may submit a response to the State Superintendent, including any revisions to the adopted budget and any other proposed actions to be taken as a result of the budget review committee's recommendations. Based upon these recommendations and any response thereto provided by the governing board of the school district, the State Superintendent shall either approve or disapprove the revised budget. If the State Superintendent disapproves the budget, he or she shall notify the governing board of the school district in writing of the reasons for that disapproval and, until the County Superintendent certifies the school district's First Interim Financial Report (as described below), the County Superintendent shall undertake the actions set forth in Education Code section 42127.3.

Upon the grant of a waiver from the requirement to form a budget review committee, the County Superintendent immediately has the authority and responsibility provided in Section 42127.3 of the Education Code. Upon approving a waiver of the budget review committee, the Department shall ensure that a balanced budget is adopted for the school district by December 31. If no budget is adopted by December 31, the State Superintendent may adopt a budget for the school district. The State Superintendent shall report to the State Legislature and the Director of Finance of the State Department of Budget and Finance by January 10 if any school district, including a school district that has received a waiver of the budget review committee process, does not have an adopted budget by December 31. This report shall include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, the date the adopted budget is anticipated, and whether the State Superintendent has or will exercise his or her authority to adopt a budget for the school district.

Not later than November 8, the County Superintendent shall submit a report to the State Superintendent identifying all school districts for which budgets have been disapproved or budget review committees waived.

Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

After approving the districts' budgets, the County Superintendent will monitor, throughout the fiscal year, each school district under his or her jurisdiction pursuant to its adopted budget to determine on a continuing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent may 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 must so notify the State Superintendent, 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) develop and impose, also after consulting with the district's board, 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 any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At a minimum, school districts file with their County Superintendent and the Department a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31 and a Second Interim Financial Report by March 15 covering financial operations from July 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) “positive,” certifying that the district, “based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years,” (b) “qualified,” certifying that the district, “based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years,” or (c) “negative,” certifying that the district, “based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.” A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not “positive,” the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from July 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the Department. The District has not received a qualified or negative certification on its interim reports within the past five years.

Pursuant to State law, the District adopted its fiscal year 2026-27 Adopted Budget on June 11, 2026, which set forth revenues and expenditures such that appropriations during fiscal year 2026-27 were not projected to exceed the sum of revenues for such fiscal year plus the July 1, 2026 beginning fund balance. See “DISTRICT FINANCIAL MATTERS—Current Financial Condition” below.

State Funding of Education

School district revenues consist primarily of appropriated State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State’s annual budget.

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants (a “Base Grant”) per unit of average daily attendance (“ADA”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF occurred over a period of eight fiscal years. In each year, an annual transition adjustment was calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school 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 Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. During the implementation period of the LCFF, the Base Grants were adjusted for cost of living adjustments (“COLAs”) by applying the implicit price deflator for government goods and services. The provision of COLAs is currently subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades TK-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades TK-3 must maintain an average class enrollment of 24 or fewer students in grades KT-3 at each school site in order to continue receiving the adjustment to the TK-3 Base Grant. The District is satisfying the class enrollment criteria in fiscal year 2025-2026. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period.

The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13. The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include Transitional Kindergarten (TK) to all four-year olds. This plan is expected to phase in cohorts of TK students over a four-year period, concluding in fiscal year 2025-26. As a result, school districts that serve TK students will be eligible to receive an add-on equal to \$3,077, multiplied by such district's second principal reporting period ADA for TK students for the current fiscal year. Beginning in fiscal year 2023-24, this add-on is subject to COLA adjustments to the same degree as LCFF Base Grants. For fiscal year 2026-27, the District has budgeted for an ADA of approximately 772.80 TK students.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 65% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The District qualifies for the Supplemental Grant in fiscal year 2025-26.

Table 13 below shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2022-23 through 2026-27.

TABLE 13
ETIWANDA SCHOOL DISTRICT
ADA, Enrollment and EL/LI Enrollment Percentage
Fiscal Years 2022-23 through 2026-27

<i>Fiscal Year</i>	<i>Average Daily Attendance⁽¹⁾</i>				<i>Enrollment</i>	
	<i>K-3</i>	<i>4-6</i>	<i>7-8</i>	<i>Total ADA</i>	<i>Total Enrollment⁽²⁾</i>	<i>% of EL/LI Enrollment⁽²⁾</i>
2022-23	5,761.79	4,404.65	3,255.04	13,401.48	13,419	48.52%
2023-24	5,589.50	4,382.86	2,990.65	12,963.01	13,605	48.28
2024-25	5,555.47	4,426.55	3,005.69	12,987.81	13,678	41.99
2025-26	5,719.44	4,391.66	3,032.05	13,143.15	13,674	34.73
2026-27	5,619.60	4,306.22	3,077.17	13,002.99	13,528	33.32

⁽¹⁾ Reflects P-2 ADA. Because P-2 ADA for fiscal year 2026-27 will not be released until April 2027, Average Daily Attendance for fiscal year 2026-27 is projected. Includes District's share of ADA in County funded charter schools.

⁽²⁾ As of annual October reports submitted to the California Longitudinal Pupil Achievement Data System (CALPADS), formerly California Basic Educational Data System (CBEDS). Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students was based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Enrollment for fiscal year 2026-27 is estimated.

Source: The District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF.

Prior to fiscal year 2022-23, the sum of a school district's adjusted Base, Supplemental and Concentration Grants was multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). The fiscal year 2022-23 State budget amended the LCFF calculation to allow the sum of a school district's adjusted Base, Supplemental and Concentration Grants to be multiplied by such district's P-2 ADA for the current year, prior year or average of three prior years, whichever is greater. The funding amount generated by this calculation, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

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

Accountability. Regulations adopted by the State Board of Trustees require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such

districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Trustees has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts in meeting the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP. The District has adopted its LCAP for fiscal year 2026-27.

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

The State Superintendent is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Sources. The federal government provides funding for several school district programs, including specialized programs such as Every Student Succeeds, special education programs, and programs under the Elementary and Secondary Education Act. In addition, a portion of a school district’s budget is from

local sources other than property taxes, including, but not limited to, interest income, leases and rentals, educational foundations, donations and sales of property.

Historical General Fund Financial Information

Table 14 below summarizes the District’s Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2020-21 through 2024-25 based on the District’s audited financial statements and fiscal years 2025-26 based on the District’s unaudited actual financial report. The figures in Table 14 below are taken from the District’s audited financial statements. See APPENDIX B—“DISTRICT’S 2024-25 AUDITED FINANCIAL STATEMENTS” for further detail on the District’s financial condition as of June 30, 2025.

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Table 14
ETIWANDA SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance⁽¹⁾

	<i>Audited 2020-21</i>	<i>Audited 2021-22</i>	<i>Audited 2022-23</i>	<i>Audited 2023-24</i>	<i>Audited 2024-25</i>	<i>Unaudited Actuals 2025-26</i>
SOURCES						
LCFF	\$ 120,721,466	\$ 127,324,268	\$ 145,233,231	\$ 151,311,299	\$ 151,490,730	\$ 156,184,014
Federal Sources	16,394,758	11,990,955	11,028,147	6,952,030	5,087,480	5,397,502
Other State Revenues	22,815,704	20,957,070	45,538,748	28,040,629	29,110,416	31,895,741
Other Local Revenue	<u>14,935,437</u>	<u>21,403,519</u>	<u>26,677,708</u>	<u>31,688,075</u>	<u>37,031,548</u>	<u>33,329,822</u>
Total Revenues	\$ 174,867,365	\$ 181,675,812	\$ 228,477,834	\$ 217,992,033	\$ 222,720,174	226,807,080
EXPENDITURES						
Instruction	\$ 111,258,213	\$ 120,931,983	\$ 128,469,014	\$ 138,685,087	\$ 142,756,835	\$ 149,201,423
Instruction – Related Services	13,783,030	15,361,118	18,373,578	20,237,843	20,191,532	21,523,273
Pupil Support Services	11,824,747	14,965,434	17,924,153	22,816,608	21,851,456	22,904,206
General Administration	6,467,728	6,729,626	8,461,466	11,212,904	11,683,984	13,730,351
Plant Services	9,046,999	11,140,775	13,223,064	14,363,980	15,226,240	19,015,727
Facility Acquisition and Construction	968,470	2,686,988	2,510,289	5,442,006	1,595,763	--
Community Services	3,463,088	4,912,431	7,962,179	9,996,230	10,510,984	10,992,347
Other Outgo	387,455	272,014	206,911	--	110,459	--
Debt Service	<u>--</u>	<u>--</u>	<u>673,914</u>	<u>841,378</u>	<u>383,010</u>	<u>141,957</u>
Total Expenditures	\$ 157,199,730	\$ 177,000,369	\$ 197,804,568	\$ 223,596,036	\$ 224,310,263	\$ 237,509,284
Excess of (Deficiency) of Revenues Over Expenditures	\$ 17,667,635	\$ 4,675,443	\$ 30,673,266	\$ (5,604,003)	\$ (1,590,089)	\$ (10,702,204)
OTHER FINANCING SOURCES						
Transfers In/Positive Sources	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 7,059,100
Other Sources	--	--	1,138,526	836,564	431,768	794,277
Transfers Out/Negative Sources	<u>(8,050,433)</u>	<u>(9,332,194)</u>	<u>(7,758,157)</u>	<u>(4,493,868)</u>	<u>(4,868,863)</u>	<u>5,042,909</u>
Total Other Financing Sources (uses)	\$ (5,850,433)	\$ (7,132,194)	\$ 4,419,631	\$ (1,457,304)	\$ (2,237,095)	\$ 2,810,468
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	\$ 11,817,202	\$ (2,456,751)	\$ 26,253,635	\$ (7,061,307)	\$ (3,827,184)	\$ (7,891,736)
Fund Balance (Deficit), July 1	<u>\$ 53,152,177</u>	<u>\$ 64,969,379</u>	<u>\$ 62,512,928</u>	<u>\$ 88,766,263</u>	<u>\$ 81,704,956</u>	<u>\$ 55,141,052</u>
Fund Balance (Deficit), June 30	<u>\$ 64,969,379</u>	<u>\$ 62,512,628</u>	<u>\$ 88,766,263</u>	<u>\$ 81,704,956</u>	<u>\$ 77,877,772</u>	<u>\$ 47,249,316</u>

⁽¹⁾ In accordance with GASB 54, includes the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for other than Capital Outlay Projects.

Source: Etiwanda School District Audited Financial Statements for fiscal years 2020-21 through 2024-25, Etiwanda School District Unaudited Actual Financial Report for fiscal year 2025-26..

Table 15 below compares the District's General Fund Adopted Budget to its General Fund actual revenues and expenditures for fiscal years 2024-25 and 2025-26. Table 15 also includes the 2026-27 Adopted Budget.

Table 15
ETIWANDA SCHOOL DISTRICT
Comparison of General Fund Budgeted to General Fund Revenues and
Expenditures for fiscal years 2024-25 and 2025-26
and 2026-27 Adopted Budget⁽¹⁾

	<i>2024-25</i>		<i>2025-26</i>		<i>2026-27</i>
	<i>Budget</i>	<i>Audit</i>	<i>Budget</i>	<i>Unaudited Actuals</i>	<i>Budget</i>
Revenues					
LCFF Sources	\$ 149,344,622	\$ 151,490,730	\$ 156,079,783	\$ 156,184,014	\$ 162,524,182
Federal	5,087,480	5,087,480	4,910,735	5,397,502	5,453,923
Other State	29,105,717	29,110,416	27,154,985	31,895,741	40,524,831
Other Local	<u>30,581,885</u>	<u>37,031,548</u>	<u>27,518,753</u>	<u>33,329,822</u>	<u>33,293,850</u>
Total Revenues	\$ 214,119,704 ⁽²⁾	\$ 222,720,174 ⁽²⁾	\$ 215,664,256	\$ 226,807,080	\$ 241,796,786
Expenditures					
Certificated Salaries	\$ 94,307,632	\$ 94,286,244	\$ 97,839,435	\$ 97,830,740	\$ 98,247,128
Classified Salaries	35,275,492	35,259,426	36,468,823	38,225,095	38,929,719
Employee Benefits	56,874,901	57,035,428	61,441,524	60,508,801	61,786,534
Books and Supplies	11,506,229	7,708,342	6,378,505	6,165,271	10,531,009
Services and Other Operating Expenditures	29,855,692	27,361,702	30,253,763	30,535,787	30,120,939
Other Outgo	50,966	110,461	(213,285)	141,957	(221,036)
Capital Outlay	5,138,369	2,165,650	1,725,000	4,101,634	2,796,586
Debt Service	--	<u>383,010</u>	--	--	--
Total Expenditures	\$ 233,009,281 ⁽²⁾	\$ 224,310,263 ⁽²⁾	\$ 233,893,765	\$ 237,509,284	\$ 242,190,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,889,577)</u>	<u>(1,590,089)</u>	<u>(18,229,509)</u>	<u>(10,702,204)</u>	<u>(394,093)</u>
Other Financing Sources					
Transfers In/Positive Sources	\$ 2,844,800	\$ 2,200,000	\$ 10,059,100	\$ 7,059,100	\$ 3,119,300
Other Sources	--	431,768	--	794,277	--
Transfers Out/Negative Sources	<u>(5,654,373)</u>	<u>(4,868,863)</u>	<u>4,100,000</u>	<u>5,042,909</u>	<u>4,800,000</u>
Total Other Financing Sources and Uses	(2,809,573)	(2,237,095)	5,959,100	2,810,468	(1,680,700)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(21,699,150)	(3,827,184)	(12,270,409)	(7,891,736)	(2,074,793)
Fund Balances, July 1	<u>81,704,956</u>	<u>81,704,956</u>	<u>40,083,414</u>	<u>55,141,052</u>	<u>47,249,316</u>
Fund Balances, June 30	<u>\$ 60,005,806</u>	<u>\$ 77,877,772</u>	<u>\$ 27,813,005</u>	<u>\$ 55,141,052</u>	<u>\$ 45,174,523</u>

⁽¹⁾ In accordance with GASB 54, includes the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for other than Capital Outlay Projects.

⁽²⁾ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Postemployment Benefits, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, but have not been included in the original and final General Fund budgets.

Source: Etiwanda School District adopted budget for fiscal years 2024-25, 2025-26 and 2026-27, Audited Financial Statements for fiscal year 2024-25 and Unaudited Actual Financial Report for fiscal year 2025-26.

Table 16 below sets forth the District's General Fund balance sheet for the 2020-21 through 2024-25 fiscal years.

Table 16
ETIWANDA SCHOOL DISTRICT
Summary of Combined General Fund Balance Sheet⁽¹⁾

	<i>Audited 2020-21</i>	<i>Audited 2021-22</i>	<i>Audited 2022-23</i>	<i>Audited 2023-24</i>	<i>Audited 2024-25</i>
Assets					
Deposits and Investments	\$ 65,224,714	\$ 77,497,724	\$ 87,765,176	\$ 79,972,349	\$ 85,585,293
Receivables	24,801,371	10,521,266	11,091,734	7,348,632	11,006,346
Due from Other Funds	365	73,076	95,452	111,790	--
Prepaid Expenditures	165,915	56,445	345,145	--	--
Stores Inventories	33,795	-- 40,623	52,106	62,298	80,917
Lease Receivable	--	240,000	--	--	--
Total Assets	<u>\$ 90,226,160</u>	<u>\$ 88,429,134</u>	<u>\$ 99,349,613</u>	<u>\$ 87,495,069</u>	<u>\$ 96,672,556</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	\$ 25,256,726	\$ 23,213,546	\$ 8,153,848	\$ 5,769,835	\$ 18,773,617
Due to Other Funds	55	--	15,511	20,278	21,167
Unearned Revenue	--	2,462,960	2,413,991	--	--
Total Liabilities	<u>\$ 25,256,781</u>	<u>\$ 25,676,506</u>	<u>\$ 10,583,350</u>	<u>\$ 5,790,113</u>	<u>\$ 18,794,784</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	--	\$ 240,000	--	--	--
Fund Balances					
Nonspendable	\$ 224,710	\$ 122,068	\$ 422,251	\$ 87,298	\$ 105,917
Restricted	11,265,443	16,451,851	36,779,467	33,383,414	34,516,643
Committed	--	23,024,991	4,060,864	11,836,868	13,437,433
Assigned	13,207,790	12,785,209	13,118,402	12,188,246	12,426,400
Unassigned	<u>40,721,436</u>	<u>10,128,509</u>	<u>34,385,279</u>	<u>24,209,130</u>	<u>17,391,379</u>
Total Fund Balances	<u>\$ 64,969,379</u>	<u>\$ 62,512,628</u>	<u>\$ 88,766,263</u>	<u>\$ 81,704,956</u>	<u>\$ 77,877,772</u>
Total Liabilities and Fund Balances	<u>\$ 90,226,160</u>	<u>\$ 88,429,134</u>	<u>\$ 99,349,613</u>	<u>\$ 87,495,069</u>	<u>\$ 96,672,556</u>

⁽¹⁾ In accordance with GASB 54, includes the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for other than Capital Outlay Projects.

Source: Etiwanda School District Audited Financial Statements for fiscal years 2020-21 through 2024-25.

Current Financial Condition

The District's financial condition is closely linked to the finances of the State and the State's finances are affected by the health of the State and national economies. In recent years the State has had budget surpluses and funding to K-12 schools has increased, including in the initial years following the onset of the COVID-19 pandemic. However, in the 2025-26 Budget (as defined below), the State notes that it will operate at a budget deficit for the next several fiscal years. Future budget decisions by the State could have an adverse impact on the District's financial condition which could be material. See "STATE OF CALIFORNIA FISCAL ISSUES."

In its multi-year projections in the 2026-27 Adopted Budget, the District projects that General Fund expenditures will exceed revenues by approximately \$487,434 in fiscal year 2026-27, \$3,439,875 in fiscal year 2027-28 and \$213,704 in fiscal year 2028-29. In the aggregate, the District projects that General Fund expenditures will exceed revenues by approximately \$4.1 million through June 30, 2028, leaving a projected General Fund balance of approximately \$12.0 million as of that date. The 2026-27 Adopted Budget projects that ADA will increase by approximately 184 by June 30, 2029. A decrease in ADA generally decreases the District's funding from the State. The 2026-27 Adopted Budget also includes a provision that allows funding

for ADA to be based off of the higher of: (i) the average ADA for the prior three fiscal years, or (ii) the higher of the current or immediately prior fiscal year. See “STATE OF CALIFORNIA FISCAL ISSUES—2026-27 State Budget—*Local Control Funding Formula*.”

The District has adopted a formal Board policy requiring that at all times the District maintain a General Fund reserve of at least 10% of projected expenditures. In addition, State law requires the District to maintain a reserve for economic uncertainty equal to at least 3% of General Fund expenditures and other financing uses. The District is also required to demonstrate that available reserves for each of the next two fiscal years will equal or exceed the required amount. In the 2026-27 Adopted Budget, the District projects available reserves, as a percentage of expenditures, of 4.89% in fiscal year 2026-27, 5.27% in fiscal year 2027-28 and 6.22% in fiscal year 2028-29.

Under SB 858 (as defined below), and SB 751 (as defined below), the District’s future reserves may be capped in certain fiscal years. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2” and “STATE OF CALIFORNIA FISCAL ISSUES—General Overview—*School Reserves*.” For the first time in fiscal year 2021-22, the reserve cap established by SB 751 was implemented, which required the District to cap its Assigned Reserves in fiscal year 2021-22 at 10%, which the District was able to do. The District does not expect the SB 751 reserve cap to be implemented in fiscal year 2026-27. As the reserve cap provisions of SB 858 and SB 751 are dependent upon State budget actions, the District cannot predict in which future fiscal years the cap may apply.

For several fiscal years prior to fiscal year 2013-14 and in fiscal years 2016-17, 2019-20 and 2020-21, the State deferred the payment of certain revenues due to school districts to the following fiscal year. In accordance with State accounting standards, the District applies an accrual method of accounting and, accordingly, Tables 14 through 16 do not reflect any deferral of revenues to future fiscal years. The District does not anticipate needing to borrow funds on a short-term basis in order to have adequate cash on hand to meet expenditures in the current fiscal year, though the District may borrow from internal funds or from the County Treasurer and Tax Collector on a short-term basis, if needed. See “DISTRICT DEBT STRUCTURE—Short-Term Debt” herein.

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) state apportionment funding through the LCFF; (2) federal sources; (3) other State sources; and (4) other local sources. Each of these revenue sources is described below.

State Apportionment Funding

For fiscal years 2023-24 and 2024-25, the District received \$151,311,299 and \$151,490,730, respectively, from LCFF sources, representing 69.4% and 68.0%, respectively, of its General Fund revenues. Based on unaudited actual results, the District received approximately \$151,311,299 from LCFF sources in fiscal year 2025-26 and has budgeted for receipt of \$163,618,212 from LCFF sources in fiscal year 2026-27, representing 70.6% and 68.8% of its General Fund revenues, respectively.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, all of which are restricted, comprised approximately 3.2% and 2.3%, respectively, of General Fund revenues in each of fiscal years 2023-24 and 2024-25. Based on unaudited actual results, federal revenues were approximately 2.4% of General Fund revenues in fiscal year 2025-26 and are budgeted to be approximately 2.3% of General Fund revenues in fiscal year 2026-27.

Other State Sources

In addition to State apportionment funding discussed above, the District receives other State revenues (“Other State Sources”). In fiscal years 2023-24 and 2024-25, Other State Sources equaled approximately 12.9% and 13.1%, respectively, of total General Fund revenues. Based on unaudited actual results, Other State Sources equaled approximately 14.0% of total General Fund revenues in fiscal year 2025-26 and Other State Sources are budgeted to equal approximately 14.9% of total General Fund revenues in fiscal year 2026-27.

Other Local Sources

In addition to property taxes, the District receives additional local sources (“Other Local Sources”) from items such as the leasing of property owned by the District and interest earnings. These Other Local Sources (including tuition and transfers) equaled approximately 14.5% and 16.6% of the total General Fund revenues in fiscal years 2023-24 and 2024-25, respectively. Other Local Sources are estimated to have equaled approximately 13.0% of total General Fund revenues in fiscal year 2025-26 and are budgeted to equal approximately 14.0% of General Fund revenues in fiscal year 2026-27.

Capital Projects Funds

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District’s developer fees may be utilized for any capital purpose related to growth. Separate and apart from the General Fund, the District also maintains a Capital Facilities Fund to account for general obligation bond proceeds restricted to capital projects, a Building Fund, a County School Facilities Fund and a Special Reserve Fund for Capital Outlay to act as a reserve for Board of Trustees designated construction projects.

Collection of developer fees followed a formal declaration by the Board of Trustees which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current developer fee is \$3.71 per square foot of habitable space on domestic housing developments, plus \$4,661.13 per unit. The current developer fee on commercial/industrial developments is \$0.60 per square foot. As of June 30, 2026, a balance of \$10,673,706 existed in the District’s Capital Facilities Fund, there was a balance of \$29,347 in the County School Facilities Fund, there was a balance of \$17,505,301 in the Building Fund and there was a balance of \$28,152,823 in the Special Reserve Fund for Capital Outlay. Except for amounts in the Special Reserve Fund for Capital Outlay, which may be expended on one-time non-capital costs other than salaries and benefits, the amounts in these funds are restricted to pay for capital improvements.

DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2025, the District had \$154,397,320 of long-term debt outstanding, excluding debt related to pension benefits and other post-employment benefits. The District has not issued any additional general obligation bonds since that date. A schedule of changes in long-term debt for the year ended June 30, 2025 is as follows:

Table 17
ETIWANDA SCHOOL DISTRICT
Long-Term Debt

<i>Governmental Activities</i>	<i>Balance July 1, 2024</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2025</i>	<i>Balance Due In One Year</i>
General obligation bonds payable	\$ 106,132,949	\$ 13,214,276	\$ (2,060,000)	\$ 117,287,225	\$ 1,820,000
Unamortized premium on bonds	7,818,761	319,460	(323,874)	7,814,347	--
Public Financing Authority Bonds ⁽¹⁾	20,435,000	--	(2,310,000)	18,125,000	1,985,000
Lease Liability	832,225	17,527	(615,057)	234,695	110,813
Subscription-Based IT Arrangements	160,324	414,241	(158,387)	416,178	120,994
Compensated Absences	9,683,285	836,590	--	10,519,875	6,475,646
Total	<u>\$ 145,062,544</u>	<u>\$ 14,802,094</u>	<u>\$ (5,467,318)</u>	<u>\$ 154,397,320</u>	<u>\$ 10,512,453</u>

⁽¹⁾ Represents bonds issued by the District's community facilities districts. Such bonds are not payable from the General Fund of the District, but are instead paid from special taxes collected within each community facilities district.
Source: Etiwanda School District.

Additional information regarding the long-term debt and its scheduled repayment is set forth in Note 9 to the District's 2024-25 Audited Financial Statements attached as Appendix B hereto. In addition to the long-term debt identified in Table 17, the District had a net pension liability of \$142,511,829 at June 30, 2025, of which \$90,697,572 related to STRS and \$51,814,257 related to PERS. See Note 14 to the District's 2024-25 Audited Financial Statements attached as Appendix B hereto and the caption "THE DISTRICT-Retirement System."

Short-Term Debt

The District currently has no short-term debt outstanding, and the District does not expect to issue any tax and revenue anticipation notes for fiscal year 2025-26. If any tax and revenue anticipation notes are issued, they will be payable from General Fund revenues and other lawfully available funds of the District and must mature in not more than 15 months from their issuance.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "SECURITY FOR THE BONDS" herein.) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 1A, 2, 22, 30 39, 46, 55, 98 and 111 and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of

declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, and (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition. In 2000, Article XIII A was amended to allow for an increase in *ad valorem* taxes for bonded indebtedness incurred by a school district or community college district if approved by 55% or more of the votes cast. See “—Proposition 39” below.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. The District is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Unitary Property

Some amount of property tax revenue of the District may be 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 State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on any utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are

reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State's allowable limit. The District does not currently have and does not anticipate having "proceeds of taxes" in excess of its appropriations limit.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

Articles XIII C and XIII D

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either "general taxes" (imposed for general governmental purposes) or "special taxes" (imposed for specific purposes); prohibits special purpose government agencies, including 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. Proposition 218 also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance

with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. A portion of the District's revenues are received annually from property taxes. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer to levy a property tax sufficient to pay debt service on the Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* taxes pledged to repay general obligation bonds. See "DISTRICT FINANCIAL MATTERS—Revenue Sources." In the case of *Bighorn-Desert View Water Agency v. Virgil (Kelley)* (the "Bighorn Decision"), the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIII C. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (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 XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to make payments with respect to the Bonds.

The provisions of Article XIII C and XIII D 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 interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which provided an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness of a school district or community college district by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt from the 1% *ad valorem* tax limitation under Section 1(a) of Article XIII A of the Constitution levies to pay bonds approved by the 55% of the voters, subject to the restrictions explained above. The *ad valorem* tax for payment on the Bonds falls within the exception described in the preceding sentence.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens’ oversight committee must be appointed to review the use of the bond funds and inform the public about their proper usage. 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.

Propositions 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (“Proposition 98”). Proposition 98 changed State funding of public education below the university level and the operation of the State’s appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the “first test”), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”), or (c) a “third test” which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes 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 would become a “credit” to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor’s concurrence, to suspend the K-14 schools’ minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In certain fiscal years, the State Legislature and the Governor have utilized this provision to avoid having the full Proposition 98 funding paid to support K-14 schools.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. “Excess” tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools 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 will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of State General Fund revenues to be allocated to K-14 districts, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the Governor’s Budget. In any event, some fiscal observers expect Proposition 98 to place increasing pressure on the State’s budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimums under the first test and the second test described above are dependent on State General Fund revenues. In several recent fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years’ estimated Proposition 98 minimums.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (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-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. 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 amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. 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 \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for K-14 school districts. See "—Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from

the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (defined below) (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the

immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. To determine the operative Proposition 98 formula mentioned above, under Proposition 111, schools receive the greater of (1) 40.9% of State general fund revenues (“Test 1”), (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (“Test 2”) or (3) 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 (“Test 3”). Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 (“SB 222”) into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the California Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

SB 222, applicable to general obligations bonds issued after its effective date, will remove the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future ad valorem property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

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

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and

purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The table below shows the expected use of bond funds under Proposition 51:

**PROPOSITION 51
Use of Bond Funds
(In Millions)**

<u>K-12 Public School Facilities</u>	
New construction	\$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	\$7,000
<u>Community College Facilities</u>	
Total	\$2,000
	\$9,000

Jarvis v. Connell

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

Future Initiatives and Propositions

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Propositions 22, 26, 30, 39, 46, 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

There can be no assurance that the State's electorate will not at some future time adopt other initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of amounts legally available to the District.

STATE OF CALIFORNIA FISCAL ISSUES

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

General Overview

Financial Stress on State Budget. The fiscal year 2025-26 Budget for the State reported that the imposition of federal policy changes significantly slowed economic growth within the State. Most notably, broad based tariffs blunted economic growth and drove a downgrade of the economic forecasts built into the May revision to the State's 2025-26 Budget (the "May Revision"). However, the May Revision reported that the State's general fund revenues from the three largest sources (personal income, corporate and sales and use taxes) were \$16.5 billion higher than projected by the Proposed State Budget for fiscal year 2026-27 over the three year budget window due to higher personal income collections, boosted by a 2025 spike in capital gains realizations reflecting higher cash receipts through April of 2026. The revenue forecast in the May Revision was based on the slightly improved stock market outlook, combined with a relatively unchanged economic outlook. However, the May Revision noted that economic recession risk remain elevated due to unpredictable federal policy, geopolitical risks due to the Iran War, soft job market, and a potential correction of the stock market, which is reliant on investment in artificial intelligence rather than the underlying strength of the consumer.

The 2026-27 State Budget (defined below) is projected to provide for balanced budgets in fiscal years 2026-27 and 2027-28 while reducing projected structural deficits in fiscal year 2028-29 and 2029-30. However, the District cannot predict whether the economic risk factors, as listed in the May Revision, would affect the economic projection in the 2026-27 State Budget.

Cash Management by State and Impact on Schools. In the recent fiscal years, to conserve cash in light of declining revenues resulting from the last recession, the State enacted several statutes deferring the payment of amounts owed to public schools, until a later date in the current, or in a subsequent, fiscal year.

School Reserves – Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2."

The District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its General Fund expenditures and other financing uses.

Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total General Fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751

excludes from the requirements of those provisions community funded districts and small school districts having fewer than 2,501 units of average daily attendance.

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

2026-27 State Budget

On June 29, 2026, the Governor signed the State budget for fiscal year 2026-27 (the “2026-27 State Budget”). The following is drawn from the DOF summary of the 2026-27 State Budget.

The 2026-27 State Budget largely maintains the framework of the May Revision, and is projected to provide for balanced State budgets in both fiscal years 2026-27 and 2027-28, while reducing projected structural deficits in fiscal years 2028-29 and 2029-30. To assist in providing for a positive ending balance in the State reserve in fiscal year 2027-28 and manage State resources, the 2026-27 State Budget includes a transfer in fiscal year 2026-27 of \$6.4 billion into the Projected Surplus Temporary Holding Account (the “Surplus Holding Account”). Created in 2004 by Assembly Bill 179, the Surplus Holding Account allows the State to set aside a portion of anticipated surplus funds and allocate them in a subsequent fiscal year. State leaders have broad authority to determine whether or how to use the Surplus Holding Account. The only requirement is that revenues that go into the account cannot remain there for longer than one year. If State revenues materialize as projected, the revenues in the account may be spent for any purpose or transferred back to the State general fund for future use.

The State budget for fiscal year 2025-26 included numerous spending measures that, at the time, were projected to result in almost \$12 billion in ongoing savings. The 2026-27 State Budget includes three additional revenue measures that are intended to solidify the State’s fiscal structure:

- *Managed Care Organization (MCO) Tax* – A renewal of the MCO Tax, effective January 1, 2027, which is projected to increase revenues by \$575 million in fiscal year 2026-27, \$2.3 billion in fiscal year 2027-28 and 2028-29, and \$1.7 billion in fiscal year 2029-30, primarily to support the State Medi-Cal program and maintain targeted rate increases for primary, maternal and mental health care.
- *Business Tax Credit Limitation* – An extension of the temporary business tax credit limitation for an additional three years, which limits the amount by which carry-over business credits can reduce net tax liability. Beginning in 2030, the 2026-27 State Budget permanently limits the use of business tax credits to the greater of \$5 million or 70% of the tax liability. This is projected to increase State general fund revenues by \$1 billion in fiscal year 2026-27, \$3.3 billion in fiscal year 2027-28, \$4.7 billion in fiscal year 2028-29 and \$4.2 billion in fiscal year 2029-30.
- *Prewritten Software Tax* – An extension of an existing sales tax on prewritten software. This is projected to increase State general fund revenues by \$450 million in fiscal year 2026-27 and \$900 million annually thereafter.

For fiscal year 2025-26, the 2026-27 State Budget projects total general fund revenues and transfers of \$245.8 billion and authorizes expenditures of \$245.3 billion. The State is projected to end fiscal year 2025-26 with total reserves of approximately \$49.9 billion, including \$11.5 billion in the BSA, \$9.2 million in the PSSSA and \$29.2 billion in traditional general fund reserves. For fiscal year 2026-27, the 2026-27 State Budget projects total general fund revenues and transfers of \$226.8 billion and authorizes expenditures of \$251.5 billion. The State is projected to end fiscal year 2026-27 with total reserves of approximately \$28.8

billion, including \$15.1 billion in the BSA, \$9.2 billion in the PSSSA and \$4.5 billion in the traditional general fund reserve. The Safety Net Reserve projected to have zero balances in both fiscal years.

The 2025-26 State Budget sets total funding in fiscal year 2026-27 for all TK-12 education programs at \$151.4 billion, including \$91.1 billion from the State general fund and \$60.3 billion from other sources. The minimum funding guarantee in fiscal year 2026-27 is set at \$128.1 billion. The 2026-27 State Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2024-25 and 2025-26, setting them at \$124.9 billion and \$125.3 billion, respectively. These revised levels represent an increase of approximately \$29.2 billion over the three-year period relative to the State budget for fiscal year 2025-26.

Test 1 of the minimum funding guarantee is projected to be in effect over the three-year period, meaning that the guarantee in these years is roughly equal to 40% of projected State general fund revenues and local property taxes. This percentage is not reduced to reflect enrollment adjustments, which increases per-pupil spending. In addition, the revised minimum funding guarantee level for fiscal year 2024-25 fully retires a \$8.3 billion maintenance factor payment due in that year. To mitigate against potential future reductions in revenues and manage resources, the 2026-27 State Budget maintains a \$3.9 billion settle-up amount in fiscal year 2025-26. If, in spring of 2027, revenues remain at the same or higher levels for fiscal year 2025-26, the State legislature will be required to pay this amount back to TK-14 school districts and will need to schedule this payment in State budgetary legislation, either from available funds or scheduled over multiple fiscal years.

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

- *LCFF* – The 2026-27 State Budget includes a statutory COLA of 2.87% which, when combined with population growth adjustments, results in an increase of approximately \$1.1 billion in discretionary funds for local educational agencies as compared to the State budget for fiscal year 2025-26. The 2026-27 State Budget includes an additional \$1.1 billion in discretionary funding for the LCFF, resulting in a total COLA (statutory and discretionary) of 4.31%. These additional funds are intended to help local educational agencies manage rising costs, offset funding restrictions related to declining enrollment and fund a new requirement for paid pregnancy disability leave (see below). As a result of the funding levels provided by the 2026-27 State Budget, the adjusted Base Grants for fiscal year 2026-27 are as follows: (i) \$11,811 for grades TK-3, (ii) \$10,860 for grades 4-6, (iii) \$11,181 for grades 7 and 8, and (iv) \$13,296 for grades 9-12. The adjusted add-on per ADA for TK funding is set at \$5,704. Finally, the 2026-27 State Budget includes an ongoing increase of \$31.3 million in Proposition 98 funding to provide a 20% increase in LCFF funding for Necessary Small Schools.
- *Paid Pregnancy Leave* – The 2026-27 State Budget requires all TK-14 local educational agencies to provide all employees with up to 14 weeks of paid pregnancy disability leave, beginning on January 1, 2027. Costs of the benefit are expected to be absorbable within the additional discretionary LCFF funding described above.
- *Special Education* – An increase of \$2.4 billion in special education funding, representing a 43% increase over the funding level set in the prior year State budget. The 2026-27 State Budget also includes an ongoing allocation of \$80 million for the special education cost pool, which provides reimbursement to special education local plan areas for students with specified high-cost service needs, as well as the low-incidence disability add-on, which provides funding to support students with rare, highly specialized needs. Additional measures also include (i) \$30 million for the Supporting Inclusive Practices Project, which provides resources to schools and educators to expand students access to the general educational environment, (ii) a one-time increase of \$25 million to the Inclusive College Technical Assistance Center, which facilitates collaboration between local educational agencies and institutions of higher education to expand inclusive college opportunities for

disabled students, and (iii) \$10 million in one-time funds to support implementation of alternative pathways for disabled students to obtain a high-school diploma.

- *Student Support and Professional Development* – \$5 billion in one-time Proposition 98 funding for the Student Support and Professional Development Block Grant, which provides local educational agencies with additional fiscal support to address rising costs and fund Statewide priorities.
- *Community Schools* – \$1 billion in ongoing Proposition 98 funding to expand community schools, which partner with educational, county and nonprofit entities to provide integrated health, trauma-informed mental health, social services and academic supports.
- *Literacy and Math Instruction* – \$350 million in one-time Proposition 98 funding to extend funding for the support of the English Language Arts/English Language Development framework, which includes investments such as literacy coaches, reading specialists, trainings for educators, administering screenings and providing materials. The 2026-27 State Budget also provides \$50 million in one-time Proposition 98 funding to expand the reach of the Mathematics Professional Learning Partnership to include more local educational agencies and extend its impact beyond its current expiration date of June 30, 2029.
- *Teacher Preparation and Professional Development* – Nearly three quarters of a billion dollars to accelerate the State’s progress in addressing teacher shortages, including (i) \$408 million in additional one-time Proposition 98 funding for the Student Teacher Stipend Program, (ii) \$250 million in one-time Proposition 98 funding to continue educational residency programs through 2029-30, (iii) \$30 million in in one-time Proposition 98 funding for the Statewide teacher residency technical assistance center, (iv) \$16.2 million in ongoing federal special education funds to continue the Golden State Teacher Grant Program, (v) \$15 million in in one-time Proposition 98 funding to expand and enhance no-cost, high quality professional learning to support educational leaders and administrators, (vi) \$10 million in in one-time Proposition 98 funding to provide competitive grants to local educational agencies to create pathways that will increase the number of bilingual teachers, and (vii) \$10 million in in one-time Proposition 98 funding to support classified employees pursuing teaching credentials.
- *Immigrant Students* – \$100 million in one-time Proposition 98 funding to provide supportive services for newcomer pupils, English learners and immigrant families. The 2026-27 State Budget also provides \$75 million in one-time Proposition 98 funding to establish Dream Resource Centers at high schools to support pupils with social services, State-funded immigration legal services, academic opportunities and parent and family workshops.
- *Early Education* - \$250 million in one-time Proposition 98 funding for the Universal Prekindergarten Planning & Implementation Grant, which will support the expansion of State preschool and Transitional Kindergarten programs to two-, three- and four-year old students. The 2026-27 State Budget also provides \$51.4 million in ongoing Proposition 98 funding to provide increased monthly cost of care payments to State preschool program contractors and \$33.6 million in ongoing Proposition 98 funding to increase the number of preschool development days.
- *Learning Recovery Emergency Block Grant* – \$757.3 million in one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.
- *Kitchen Infrastructure* – \$500 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure and training to support schools in providing more freshly prepared meals made with local ingredients.

- *Student Homelessness* – \$116 million in one-time Proposition 98 funding to provide three-year grants to local educational agencies to increase identification of and improve educational outcomes for students experiencing homelessness.
- *Dual Enrollment* - \$100 million in one-time Proposition 98 funding to increase access to college and career pathways for high school students.
- *Holocaust and Genocide Education* - \$10 million in one-time Proposition 98 funding for the Holocaust and Genocide Education Grant program to support professional development and provide resources on Holocaust and genocide education.
- *Reading Difficulties Screening* – \$40 million in one-time Proposition 98 funding to support continued implementation of student reading difficulties screenings.

For additional information regarding the 2026-27 State Budget, see the DOF website www.dof.ca.gov. However, the information presented on such website is not incorporated herein by any reference.

Future Actions and Events

The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos ("Matosantos"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS— Proposition 1A and Proposition 22." ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

ABx1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County Auditor-Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABx1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

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

LEGAL MATTERS

Tax Matters

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as

defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

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

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

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

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

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

INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix A hereto.

Legal Opinion

The legal opinion of Stradling Yocca Carlson & Rauth LLP, approving the validity of the Bonds, substantially in the form of Appendix A hereto, will be made available to purchasers at the time of original delivery of the Bonds and a copy of the opinion will be delivered with each Bond. Bond Counsel expresses no opinion to the Owners of the Bonds or to the Beneficial Owners as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to advise the Owners of the Bonds as to matters related to the Official Statement.

Legality for Investment in California

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, are eligible for security for deposits of public moneys in the State.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

The District has certain litigation pending regarding employment matters and other claims for damages. These matters have been referred to the District's insurance carriers for defense, and the District does not believe that the outcome in any of these cases will have a material financial impact on the District.

Moreover, in May 2026, the District commissioned an independent investigation after learning of allegations involving anti-Semitic remarks and actions by a small number of students within the District. The

investigation ultimately found several of the allegations to be credible. The students involved no longer attend school in the District. Following the investigation, the District reviewed its practices and policies in place across the District, including additional training for faculty. The District was recently notified that the U.S. Department of Education's Office for Civil Rights has opened an investigation into the matter. The District does not believe that the outcome in the investigation will have a material financial impact on the District.

CONTINUING DISCLOSURE

In connection with the issuance of the Bonds, the District will covenant for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than February 1 following the end of the District's fiscal year (which currently ends June 30), commencing with the report for fiscal year 2025-26, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed by the District in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5), as amended (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of enumerated events is included in Appendix C—"FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule. In recent years, the District has utilized the services of a dissemination agent to assist it with complying with its continuing disclosure undertakings.

A review of the District's compliance with its previous continuing disclosure undertakings and the compliance by the District's community facilities districts with their respective previous continuing disclosure undertakings was conducted on September 21, 2026 with assistance from an outside consultant. The review found that within the last five years, the District and the community facilities districts did not fail to timely comply with their respective prior continuing disclosure obligations under the Rule in any material respect, except that one of the District's community facilities districts was 302 days late in filing one of its annual reports.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of the projected payments of principal and interest on the government obligations, and the projected payments of principal, redemption premium, if any, and interest to redeem and defease the Refunded Series 2017A Bonds will be verified by Causey Public Finance, LLC, as Verification Agent. Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any effort to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

MISCELLANEOUS

Ratings

Moody's Investor's Service, Inc. ("Moody's") has assigned the rating of "Aa2" to the Bonds. The rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating for the Bonds will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds are being purchased for reoffering by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds pursuant to a Bond Purchase Agreement with the District (the “Bond Purchase Agreement”) at the initial purchase price of \$_____ (which represents the aggregate principal amount of the Bonds, [less] original issue [discount] of \$_____, less Underwriter’s discount of \$_____). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds in the event any of the Bonds are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter.

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

Audited Financial Statements

The District’s audited financial statements for fiscal year 2024-25 included in this Official Statement have been audited by Eide Bailly LLP (the “Auditor”), independent auditors. Attention is called to the scope limitation described in the Auditor’s report accompanying the financial statements. The Auditor has not been requested to consent to the inclusion of its report in this Official Statement. The Auditor has not undertaken to update the audited financial statements for fiscal year 2024-25 or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 11, 2025. See APPENDIX B—“DISTRICT’S 2024-25 AUDITED FINANCIAL STATEMENTS” herein.

Financial Interests

The fees being paid to the Financial Advisor, the Underwriter, Underwriter’s Counsel and Bond Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds, and of the statutes and documents contained

herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. Any Bond Owner may obtain copies of such records, as available, from the District at 6061 East Avenue, Etiwanda, California 91739. The District may impose a charge for copying, mailing and handling.

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 delivery of this Official Statement has been duly authorized by the District.

ETIWANDA SCHOOL DISTRICT

By: _____
Superintendent

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL

On the date of issuance of the Bonds, Stradling Yocca Carlson & Rauth, LLP, Bond Counsel, proposes to issue its approving opinion relating to the Bonds in substantially the following form:

[Closing Date]

Honorable Members of the Board of Trustees
Etiwanda School District
Etiwanda, California

Re: \$_____ Etiwanda School District Election, San Bernardino of 2016 General Obligation Bonds, Series 2026E

\$_____ Etiwanda School District General Obligation Refunding Bonds, Series 2026

Dear Honorable Members of the Board of Trustees:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Etiwanda School District (the “District”) taken in connection with the authorization and issuance of the District’s Election of 2016 General Obligation Bonds, Series 2026E in the aggregate principal amount of \$_____ (the “Series 2026E Bonds”) and the District’s General Obligation Refunding Bonds, Series 2026 in the aggregate principal amount of \$_____ (the “Refunding Bonds” and together with the Series 2026E Bonds, the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by San Bernardino County (the “County”), the District, the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Series 2026E Bonds have been issued by the District pursuant to Article 4.5, Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution and a resolution adopted by the Board of Trustees of the District on September 17, 2026 (the “Resolution”). The Refunding Bonds have been issued by the District pursuant to Government Code Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5, and the Resolution. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Resolution.

The Bonds mature on the dates and in the amounts referenced in the Bond Purchase Agreement relating to the Bonds. The Bonds are dated their date of delivery and bear interest payable semiannually on each February 1 and August 1, commencing February 1, 2027 at the rates per annum referenced in the Resolution. The Bonds are registered bonds as set forth in the Resolution.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized and constitute the legal, valid and binding obligations of the District enforceable in accordance with the terms of the Resolution, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State

of California. The Bonds are obligations of the District but are not a debt of the County, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the County, the State of California, or any such political subdivisions is pledged for the payment thereof.

(2) The Resolution has been duly adopted by the Board of Trustees of the District and constitutes a legal, valid and binding obligation of the District. The Resolution is enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California, provided, however, we express no opinion as to the enforceability of provisions of the Resolution as to indemnification, penalty, contribution, choice of law, choice of forum or waiver contained therein.

(3) The Bonds are secured by the proceeds of *ad valorem* taxes levied upon taxable property in the District on which the Board of Supervisors of the County has the power to levy and are obliged by statute to levy without limit as to rate or amount (except as to certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

(5) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(6) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is more than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

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

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes

retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Resolution and the Tax Certificate executed by the District with respect to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax exempt obligations. We express no opinion as to the effect on exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Bonds if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth LLP.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX B

DISTRICT'S 2024-25 AUDITED FINANCIAL STATEMENTS

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Financial Statements

June 30, 2025

Etiwanda School District

Independent Auditor’s Report	1
Management’s Discussion and Analysis	5
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities.....	15
Government Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Fiduciary Fund Financial Statements	
Statement of Net Position – Fiduciary Fund	21
Statement of Changes in Net Position – Fiduciary Fund.....	22
Notes to Financial Statements	23
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	66
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	67
Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program.....	68
Schedule of District Proportionate Share of the Net Pension Liability – CalSTRS	69
Schedule of District Proportionate Share of the Net Pension Liability – CalPERS	70
Schedule of the District’s Contributions - CalSTRS	71
Schedule of the District’s Contributions - CalPERS	72
Notes to Required Supplementary Information	73
Supplementary Information	
Schedule of Expenditures of Federal Awards	75
Schedule of Average Daily Attendance.....	76
Schedule of Instructional Time	77
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	78
Schedule of Financial Trends and Analysis	79
Combining Balance Sheet – Non-Major Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds.....	81
Notes to Supplementary Information.....	82
Other Information	
Local Education Agency Organization Structure (Unaudited)	84

Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance	87
Independent Auditor's Report on State Compliance and on Internal Control over Compliance	90
Schedule of Findings and Questioned Costs	
Summary of Auditor's Results.....	94
Financial Statement Findings	95
Federal Awards Findings and Questioned Costs.....	96
State Compliance Findings and Questioned Costs.....	97
Summary Schedule of Prior Audit Findings.....	98



Independent Auditor's Report

To the Governing Board
Etiwanda School District
Etiwanda, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Etiwanda School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Etiwanda School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rancho Cucamonga, California
December 11, 2025

Charlayne Sprague
Superintendent
Douglas M. Clafin
Assistant Superintendent of Business Services
Laura Rowland
Assistant Superintendent of Personnel Services
Jeannie Tavolazzi
Assistant Superintendent of Instruction and Pupil Services
Elizabeth Freer
Executive Director of Special Education



Board of Trustees
Cathline Fort
Matthew Gordon
Dr. Fermín Jaramillo
Dayna Karsch
April McAllaster

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This section of Etiwanda School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information for the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

The Primary unit of the government is the Etiwanda School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for Debt Service Special Tax Bonds. The District's fiduciary activities are reported in the Fiduciary Fund Financial Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$230,892,793 for the fiscal year ended June 30, 2025. Of this amount, \$(47,378,779) was an unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	\$ 240,062,698	\$ 224,744,872
Capital assets, net	301,662,497	289,950,359
Total assets	541,725,195	514,695,231
Deferred outflows of resources	53,912,599	57,887,536
Liabilities		
Current liabilities	25,472,581	7,939,952
Long-term liabilities	317,295,051	314,365,748
Total liabilities	342,767,632	322,305,700
Deferred inflows of resources	21,977,369	15,584,588
Net Position		
Net investment in capital assets	218,220,864	206,697,079
Restricted	60,050,708	120,349,950
Unrestricted deficit	(47,378,779)	(92,354,550)
Total net position	\$ 230,892,793	\$ 234,692,479

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 17 for further information.

The \$(47,378,779) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

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

Table 2

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	\$ 1,188,595	\$ 452,107
Operating grants and contributions	54,202,363	54,860,734
Capital grants and contributions	3	1,956,488
General revenues		
Federal and State aid not restricted	132,052,707	132,864,573
Property taxes	40,075,030	38,098,418
Other general revenues	17,958,088	16,032,563
Total revenues	<u>245,476,786</u>	<u>244,264,883</u>
Expenses		
Instruction-related	164,213,768	167,735,298
Pupil services	29,626,384	28,808,255
Administration	12,610,204	12,018,953
Plant services	15,998,600	14,134,910
All other services	17,760,776	17,044,997
Total expenses	<u>240,209,732</u>	<u>239,742,413</u>
Change in net position	<u>\$ 5,267,054</u>	<u>\$ 4,522,470</u>

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 17 for further information.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$240,209,732. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$40,075,030.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2025	2024*	2025	2024*
Instruction-related	\$ 164,213,768	\$ 167,735,298	\$ (136,676,356)	\$ (134,117,458)
Pupil services	29,626,384	28,808,255	(16,118,476)	(16,282,367)
Administration	12,610,204	12,018,953	(12,413,123)	(11,717,841)
Plant services	15,998,600	14,134,910	(15,838,986)	(14,057,003)
All other services	17,760,776	17,044,997	(3,771,830)	(6,298,415)
Total	<u>\$ 240,209,732</u>	<u>\$ 239,742,413</u>	<u>\$ (184,818,771)</u>	<u>\$ (182,473,084)</u>

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 17 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$197,920,363 which is an increase of \$155,307 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	\$ 81,704,956	\$ 225,351,942	\$ 229,179,126	\$ 77,877,772
Building	11,537,948	12,895,627	6,928,274	17,505,301
Special Reserve Fund for Capital				
Outlay Projects	65,681,245	8,586,371	18,405,695	55,861,921
Student Activity	372,365	1,001,507	966,041	407,831
Cafeteria	7,330,373	9,547,553	7,405,073	9,472,853
Capital Facilities	8,310,696	2,257,033	115,187	10,452,542
County School Facilities	64	3	64	3
Combined Community Facilities				
District Capital	16,058,166	3,803,839	368,795	19,493,210
Bond Interest and Redemption	5,805,115	5,463,906	5,431,715	5,837,306
Debt Service Fund for Blended				
Component Units	964,128	3,310,084	3,262,588	1,011,624
Total	<u>\$ 197,765,056</u>	<u>\$ 272,217,865</u>	<u>\$ 272,062,558</u>	<u>\$ 197,920,363</u>

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 11, 2025. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66.)

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had \$301,662,497 in a broad range of capital assets (net of depreciation and amortization), including land, buildings, furniture, and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$11,712,138, or 4.0%, from last year (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 59,196,788	\$ 64,857,509
Buildings and improvements	236,966,372	218,611,929
Furniture and equipment	4,889,548	5,365,770
Right-to-use leased assets	119,071	458,792
Right-to-use subscription IT assets	490,718	656,359
Total	<u>\$ 301,662,497</u>	<u>\$ 289,950,359</u>

We present more detailed information regarding our capital assets in Note 6 of the financial statements.

Long-Term Liabilities

At the end of the year, the District had \$317,295,051 in long-term liabilities outstanding versus \$314,365,748 last year.

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	\$ 117,287,225	\$ 106,132,949
Unamortized debt premiums	7,814,347	7,818,761
ESD Public Financing Authority (PFA) local agency bonds	18,125,000	20,435,000
Lease liability	234,695	832,225
Subscription-based IT arrangements	416,178	160,324
Compensated absences	10,519,875	616,545
Aggregate net OPEB liability	20,385,902	19,792,984
Aggregate net pension liability	142,511,829	158,576,960
Total	<u>\$ 317,295,051</u>	<u>\$ 314,365,748</u>

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 17 for further information.

We present more detailed information regarding our long-term liabilities in Note 9, Note 10, and Note 14 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2024-2025 ARE NOTED BELOW:

- The District operated thirteen K-5 elementary schools and four 6-8 middle schools for a total of seventeen schools during the year. The District also had in operation the following programs: community day school, preschool, home school, and Expanded Learning Opportunities Program (ELO-P). The District also provides childcare services at seventeen school sites.
- Voters approved Measure I in November 2016, a \$137 million General Obligation Bond for the repair and upgrade of neighborhood schools.
- Numerous capital/technological improvements and repairs at multiple school sites were completed in 2022-2023 utilizing funds from the passage of Measure I.
- Chromebooks are supplied for all Transitional Kindergarten through 8th grade classrooms and students.
- Modernization of Etiwanda Intermediate and Summit Intermediate continues.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2025-2026 year, the District Board and management used the following criteria:

The key assumptions in our revenue projections are:

- LCFF gap funding at 100%.
- ADA of 13,168 was used as an estimate for P-2.
- Lottery revenues were estimated to come in at \$3,754,023 per prior year annual ADA.

- Interest earnings are expected to be slightly higher than prior years.
- Developer fee collections are based on approximate new housing units to be constructed and are projected to remain constant in 2025-2026.

Expenditures are based on the following projections:

- COLA of 2.03% for 2025-2026.
- Certificated salary step/column average of 1.40% for 2025-2026.
- Historical trends predict 3.09% increase to supplies/services.
- Classified salary step average of 1.70% for 2025-2026.
- Employee benefit increases.
- Employee benefits no longer provide for remaining cash back.

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 Doug Claflin, Assistant Superintendent of Business Services, at Etiwanda School District, 6061 East Avenue, Etiwanda, California 91739, or e-mail at doug_claflin@etiwanda.k12.ca.us.

Etiwanda School District
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 208,716,713
Receivables	12,947,220
Long-term receivables	18,125,000
Stores inventories	273,765
Capital assets not depreciated or amortized	59,196,788
Capital assets, net of accumulated depreciation and amortization	<u>242,465,709</u>
Total assets	<u>541,725,195</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	3,972,815
Deferred outflows of resources related to pensions	<u>49,939,784</u>
Total deferred outflows of resources	<u>53,912,599</u>
Liabilities	
Accounts payable	24,017,335
Interest payable	1,455,246
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	10,512,453
OPEB liability, due within one year	595,403
Long-term liabilities other than OPEB and pensions, due in more than one year	143,884,867
Aggregate net other postemployment benefits (OPEB) liability, due in more than one year	19,790,499
Aggregate net pension liability	<u>142,511,829</u>
Total liabilities	<u>342,767,632</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	8,289,464
Deferred inflows of resources related to pensions	<u>13,687,905</u>
Total deferred inflows of resources	<u>21,977,369</u>
Net Position	
Net investment in capital assets	218,220,864
Restricted for	
Debt service	5,393,684
Capital projects	10,452,545
Educational programs	34,516,643
Other activities	9,687,836
Unrestricted deficit	<u>(47,378,779)</u>
Total net position	<u><u>\$ 230,892,793</u></u>

Etiwanda School District

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 143,671,526	\$ 25,852	\$ 24,214,173	\$ 3	\$ (119,431,498)
Instruction-related activities					
Supervision of instruction	6,869,458	-	2,560,684	-	(4,308,774)
Instructional library, media, and technology	3,056,130	-	301,459	-	(2,754,671)
School site administration	10,616,654	1,101	434,140	-	(10,181,413)
Pupil services					
Home-to-school transportation	4,706,486	-	-	-	(4,706,486)
Food services	7,386,150	-	9,547,553	-	2,161,403
All other pupil services	17,533,748	61,208	3,899,147	-	(13,573,393)
Administration					
Data processing	1,933,681	-	-	-	(1,933,681)
All other administration	10,676,523	12,434	184,647	-	(10,479,442)
Plant services	15,998,600	40,964	118,650	-	(15,838,986)
Ancillary services	966,041	-	1,001,507	-	35,466
Community services	10,976,561	-	8,984,551	-	(1,992,010)
Interest on long-term liabilities	5,707,715	-	-	-	(5,707,715)
Other outgo	110,459	1,047,036	2,955,852	-	3,892,429
Total governmental activities	<u>\$ 240,209,732</u>	<u>\$ 1,188,595</u>	<u>\$ 54,202,363</u>	<u>\$ 3</u>	<u>(184,818,771)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					25,169,739
Property taxes, levied for debt service					4,860,656
Taxes levied for other specific purposes					10,044,635
Federal and State aid not restricted to specific purposes					132,052,707
Interest and investment earnings					9,574,032
Interagency revenues					2,317,810
Miscellaneous					6,066,246
Subtotal, general revenues and subventions					<u>190,085,825</u>
Change in Net Position					5,267,054
Net Position - Beginning, as previously reported					234,692,479
Adjustments (Note 17)					(9,066,740)
Net Position - Beginning, as restated					<u>225,625,739</u>
Net Position - Ending					<u>\$ 230,892,793</u>

Etiwanda School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 85,585,293	\$ 17,653,323	\$ 59,942,293	\$ 45,535,804	\$ 208,716,713
Receivables	11,006,346	219,562	710,565	1,010,747	12,947,220
Due from other funds	-	-	-	21,167	21,167
Stores inventories	80,917	-	-	192,848	273,765
Total assets	<u>\$ 96,672,556</u>	<u>\$ 17,872,885</u>	<u>\$ 60,652,858</u>	<u>\$ 46,760,566</u>	<u>\$ 221,958,865</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 18,773,617	\$ 367,584	\$ 4,790,937	\$ 85,197	\$ 24,017,335
Due to other funds	21,167	-	-	-	21,167
Total liabilities	<u>18,794,784</u>	<u>367,584</u>	<u>4,790,937</u>	<u>85,197</u>	<u>24,038,502</u>
Fund Balances					
Nonspendable	105,917	-	-	192,848	298,765
Restricted	34,516,643	17,505,301	-	46,482,521	98,504,465
Committed	13,437,433	-	-	-	13,437,433
Assigned	12,426,400	-	55,861,921	-	68,288,321
Unassigned	17,391,379	-	-	-	17,391,379
Total fund balances	<u>77,877,772</u>	<u>17,505,301</u>	<u>55,861,921</u>	<u>46,675,369</u>	<u>197,920,363</u>
Total liabilities and fund balances	<u>\$ 96,672,556</u>	<u>\$ 17,872,885</u>	<u>\$ 60,652,858</u>	<u>\$ 46,760,566</u>	<u>\$ 221,958,865</u>

Etiwanda School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2025

Total Fund Balance - Governmental Funds		\$ 197,920,363
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 452,735,409	
Accumulated depreciation and amortization is	<u>(151,072,912)</u>	
Net capital assets		301,662,497
Receivables related to Etiwanda School District Public Financing Authority are not received in the near term (within one year) and therefore, are not reported as receivables in the governmental funds. Current year collections totaling \$2,310,000 were received, leaving a balance of \$18,125,000.		18,125,000
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(1,455,246)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to:		
Aggregate net OPEB liability	3,972,815	
Aggregate net pension liability	<u>49,939,784</u>	
Total deferred outflows of resources		53,912,599
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to:		
Aggregate net OPEB liability	(8,289,464)	
Aggregate net pension liability	<u>(13,687,905)</u>	
Total deferred inflows of resources		(21,977,369)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(142,511,829)
The District's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(20,385,902)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds and unamortized premiums	(119,789,271)	
Lease liability	(234,695)	
ESD Public Financing Authority (PFA) local agency bonds	(18,125,000)	
Subscription-based IT arrangements	(416,178)	
Compensated absences	(10,519,875)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(5,312,301)</u>	
Total long-term liabilities		<u>(154,397,320)</u>
Total net position - governmental activities		<u>\$ 230,892,793</u>

Etiwanda School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	\$ 151,490,730	\$ -	\$ -	\$ -	\$ 151,490,730
Federal sources	5,087,480	-	-	3,572,021	8,659,501
Other State sources	29,110,416	-	-	5,614,757	34,725,173
Other local sources	37,031,548	898,787	3,717,444	15,877,687	57,525,466
Total revenues	222,720,174	898,787	3,717,444	25,064,465	252,400,870
Expenditures					
Current					
Instruction	142,756,835	-	-	-	142,756,835
Instruction-related activities					
Supervision of instruction	6,834,429	-	-	-	6,834,429
Instructional library, media, and technology	2,958,954	-	-	-	2,958,954
School site administration	10,398,149	-	-	-	10,398,149
Pupil services					
Home-to-school transportation	4,462,040	-	-	-	4,462,040
Food services	6,809	-	-	7,405,073	7,411,882
All other pupil services	17,382,607	-	-	-	17,382,607
Administration					
Data processing	1,678,131	-	-	-	1,678,131
All other administration	10,005,853	-	-	97,241	10,103,094
Plant services	15,226,240	980	464,371	386,741	16,078,332
Ancillary services	-	-	-	966,041	966,041
Community services	10,510,984	-	-	-	10,510,984
Other outgo	110,459	-	-	-	110,459
Facility acquisition and construction	1,595,763	6,107,120	15,741,324	-	23,444,207
Debt service					
Principal	263,924	509,520	-	4,370,000	5,143,444
Interest and other	119,086	310,654	-	4,324,303	4,754,043
Total expenditures	224,310,263	6,928,274	16,205,695	17,549,399	264,993,631
Excess (Deficiency) of Revenues Over Expenditures	(1,590,089)	(6,029,487)	(12,488,251)	7,515,066	(12,592,761)
Other Financing Sources (Uses)					
Transfers in	2,200,000	-	4,868,927	-	7,068,927
Other sources - proceeds from issuance of general obligation bonds	-	11,996,840	-	319,460	12,316,300
Other sources - SBITAs	414,241	-	-	-	414,241
Other sources - leases	17,527	-	-	-	17,527
Transfers out	(4,868,863)	-	(2,200,000)	(64)	(7,068,927)
Net Financing Sources (Uses)	(2,237,095)	11,996,840	2,668,927	319,396	12,748,068
Net Change in Fund Balances	(3,827,184)	5,967,353	(9,819,324)	7,834,462	155,307
Fund Balance - Beginning	81,704,956	11,537,948	65,681,245	38,840,907	197,765,056
Fund Balance - Ending	\$ 77,877,772	\$ 17,505,301	\$ 55,861,921	\$ 46,675,369	\$ 197,920,363

Etiwanda School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds \$ 155,307

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.

Capital outlays	\$ 24,883,486	
Depreciation and amortization expense	<u>(13,171,348)</u>	

Net expense adjustment 11,712,138

The District issued capital appreciation general obligation bonds.
The accretion of interest on the general obligation bonds during the
current fiscal year was (1,217,436)

Right-to-use leased assets acquired this year were financed with leases.
The amount financed by the leases is reported in the governmental funds
as a source of financing. On the other hand, the leases are not revenues
in the Statement of Activities, but rather constitute long-term liabilities
in the Statement of Net Position. (17,527)

Right-to-use subscription IT assets acquired this year were financed with
Subscription-Based IT Arrangements (SBITAs). The amount financed by
the SBITAs is reported in the governmental funds as a source of financing.
On the other hand, the SBITAs are not revenues in the Statement of
Activities, but rather constitute long-term liabilities in the Statement of
Net Position. (414,241)

In the Statement of Activities, certain operating expenses, such as
compensated absences are measured by the amounts earned
during the year. In the governmental funds, however, expenditures for
these items are measured by the amount of financial resources used
(essentially, the amounts actually paid). This amount is the difference
between compensated absences earned and used. (836,590)

In the governmental funds, pension costs are based on employer
contributions made to pension plans during the year. However,
in the Statement of Activities, pension expense is the net effect of
all changes in the deferred outflows/inflows of resources and
aggregate net pension liability during the year. 5,946,838

Etiwanda School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2025

In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and aggregate net OPEB liability during the year.	\$ (842,343)
The collection of tax assessment are revenues in the governmental funds, but it reduces long-term receivables in the Statement of Net Position and does not effect the Statement of Activities.	(2,310,000)
Proceeds received from the general obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(11,996,840)
Governmental funds report the effect of premiums and discounts when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium on issuance recognized	(319,460)
Premium amortization	323,874
Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	2,060,000
Public financing authority bonds	2,310,000
Leases	615,057
Subscription-based IT arrangements	158,387
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(60,110)
Change in net position of governmental activities	<u>\$ 5,267,054</u>

Etiwanda School District
Statement of Net Position – Fiduciary Fund
June 30, 2025

	<u>Custodial Funds</u>
Assets	
Deposits and investments	\$ 71,444,253
Receivables	<u>83,090</u>
Total assets	<u><u>\$ 71,527,343</u></u>
Net Position	
Restricted for individuals, organizations and other governments	<u><u>\$ 71,527,343</u></u>

Etiwanda School District
Statement of Changes in Net Position – Fiduciary Fund
Year Ended June 30, 2025

	<u>Custodial Funds</u>
Additions	
Contributions	
Special tax assessment	\$ 5,872,401
Investment earnings	
Interest	<u>1,653,665</u>
Total additions	<u>7,526,066</u>
Deductions	
Debt service payments	<u>6,508,062</u>
Change in Fiduciary Net Position	1,018,004
Net Position - Beginning	<u>70,509,339</u>
Net Position - Ending	<u><u>\$ 71,527,343</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Etiwanda School District (the District) was organized in 1883 under the laws of the State of California. The District is an elementary school district comprised of an area of approximately 48 square miles located in San Bernardino County. The District operates under a locally-elected five-member Board form of government and provides educational services to preschool and grades K-8 as mandated by the State and Federal agencies. The District maintained thirteen elementary and four intermediate schools during the year.

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

Component Units

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

The Etiwanda School District, the Etiwanda School District Public Financing Authority (the Authority), and the Community Facilities District (the CFDs) have a financial and operational relationship which meets the reporting entity definition criteria of (GASB) Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for inclusion of the Authority and the CFDs as component units of the District. Accordingly, the financial statements of the Authority and the CFDs have been included in the financial statements of the District. The financial statements present the Authority's financial activities within the Debt Service Fund for Blended Component Units. The CFD's financial activity is presented in the Combined Community Facilities District Fund and the Custodial Funds. Debt instruments issued by the Authority are included as long-term liabilities in the government-wide financial statements. Debt instruments issued by the CFD do not represent liabilities of the District or component units and are not included in the District-wide financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Two funds currently defined as special revenue funds in the *California State Accounting Manual* (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these fund function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$22,736,720.

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

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in (*Government Code* Sections 65970-65981) or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).
- **Combined Community Facilities District (CFD) Capital Fund** The Combined CFD Fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued by the District (*Education Code* Sections 15125-15262).
- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds account for the levying of special taxes by the Community Facilities Districts.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation and amortization of capital assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

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

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

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, including money market investments and participating interest earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements/infrastructure, 20 to 25 years; equipment, 5 to 7 years; vehicles, 7 to 12 years. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 5 years.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 8 years.

Interfund Balances

In the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The District reports compensated absence balances for compensated leave (comp time), vacation leave, and sick leave.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs and Premiums

Debt premiums and debt issuance costs related to prepaid insurance are reported as liabilities in the governmental activities, Statement of Net Position. Debt premiums, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

Subscription Liabilities

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments are discounted based on a borrowing rate determined by the District.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than 3% of General Fund expenditures and other financing uses.

Stabilization Arrangement

The governing board adopted a resolution for stabilization arrangements. Under the resolution, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The resolution states that, at fiscal year-end, an amount approximately equal to, but not less than, ten percent of the annual operating expenditures of the General Fund is to be committed for use in covering catastrophic losses, including natural and man-made disasters, insurance loss reserves, and limited operating expenses in a period of severe economic uncertainty. At June 30, 2025, \$13,437,433 of the fund balance for the General Fund was reported as committed for economic stabilization. The resolution recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$60,050,708 of restricted net position which is restricted by enabling legislation and the fiduciary fund financial statements report \$71,527,343 of restricted net position.

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. 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 Statement of Activities.

Estimates

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

Property Tax

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

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 17.

Implementation of GASB Statement No. 102

As of June 30, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 208,716,713
Fiduciary funds	<u>71,444,253</u>
Total deposits and investments	<u><u>\$ 280,160,966</u></u>

Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	\$ 677,950
Cash in revolving	25,000
Cash with fiscal agent	62,027,693
Investments	<u>217,430,323</u>
Total deposits and investments	<u><u>\$ 280,160,966</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California *Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool, money market funds, and municipal securities.

Weighted Average Maturity and Credit Risk

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. 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. Information about the weighted average maturity and credit rating of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days	Rating
Municipal Securities	\$ 18,125,000	1,281	Aa2
Money Market Funds	11,798,609	No maturity	Not rated
San Bernardino County Investment Pool	187,506,714	729	AAAf/S1
Total	<u>\$ 217,430,323</u>		

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, the District's bank balance of \$450,635 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2025, the District's investment balance of approximately \$18.1 million was exposed to custodial credit risk because it was uninsured, unregistered, or held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2025:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Fair Value Measurements Using Level 2 Inputs</u>
Municipal Securities	<u>\$ 18,125,000</u>	<u>\$ 18,125,000</u>

All assets have been valued using a market approach, with quoted market prices.

Note 4 - Receivables

Receivables at June 30, 2025, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total	Fiduciary Funds
Federal Government						
Categorical aid	\$ 2,904,927	\$ -	\$ -	\$ 269,045	\$ 3,173,972	\$ -
State Government						
Categorical aid	3,799,308	-	-	468,873	4,268,181	-
Lottery	1,012,339	-	-	-	1,012,339	-
Local Government						
Interest	882,834	219,562	710,565	179,085	1,992,046	83,090
Other local sources	2,406,938	-	-	93,744	2,500,682	-
Total	<u>\$ 11,006,346</u>	<u>\$ 219,562</u>	<u>\$ 710,565</u>	<u>\$ 1,010,747</u>	<u>\$ 12,947,220</u>	<u>\$ 83,090</u>

Note 5 - Long-Term Receivables

Proceeds from bonds issued by the Etiwanda School District Public Financing Authority (ESD PFA) were used to purchase outstanding bonds of various Community Facilities Districts (CFDs). In accordance with the agreement between the ESD PFA and CFD's, special tax assessments collected from the CFDs that benefitted will be used to repay the outstanding bonds issued by the ESD PFA. The total amount of benefit provided by the ESD PFA through the issuance of its special tax bonds was \$29,390,000. Current year payments totaling \$2,310,000 were made, leaving a total of \$18,125,000 due from the CFDs as of June 30, 2025.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 30,357,517	\$ -	\$ -	\$ 30,357,517
Construction in progress	34,499,992	18,388,450	(24,049,171)	28,839,271
Total capital assets not being depreciated or amortized	64,857,509	18,388,450	(24,049,171)	59,196,788
Capital assets being depreciated or amortized				
Land improvements	14,748,413	537,607	-	15,286,020
Buildings and improvements	333,451,537	29,021,004	-	362,472,541
Furniture and equipment	13,692,581	507,743	(25,145)	14,175,179
Right-to-use leased buildings and improvements	1,414,972	-	(994,777)	420,195
Right-to-use leased equipment	-	17,527	-	17,527
Right-to-use subscription IT assets	1,429,549	460,326	(722,716)	1,167,159
Total capital assets being depreciated and amortized	364,737,052	30,544,207	(1,742,638)	393,538,621
Total capital assets	429,594,561	48,932,657	(25,791,809)	452,735,409
Accumulated depreciation and amortization				
Land improvements	(9,078,884)	(646,970)	-	(9,725,854)
Buildings and improvements	(120,509,137)	(10,557,198)	-	(131,066,335)
Furniture and equipment	(8,326,811)	(983,965)	25,145	(9,285,631)
Right-to-use leased buildings and improvements	(956,180)	(353,743)	994,777	(315,146)
Right-to-use leased equipment	-	(3,505)	-	(3,505)
Right-to-use subscription IT assets	(773,190)	(625,967)	722,716	(676,441)
Total accumulated depreciation and amortization	(139,644,202)	(13,171,348)	1,742,638	(151,072,912)
Net depreciable and amortizable capital assets	225,092,850	17,372,859	-	242,465,709
Governmental activities capital assets, net	\$ 289,950,359	\$ 35,761,309	\$ (24,049,171)	\$ 301,662,497

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

Governmental Activities	
Instruction	\$ 8,152,591
Supervision of instruction	374,847
Instructional library, media, and technology	162,289
School site administration	570,306
Home-to-school transportation	244,729
Food services	373
All other pupil services	953,382
Community Services	576,495
Data processing	718,007
All other administration	548,790
Plant services	869,539
Total depreciation and amortization expense governmental activities	<u><u>\$ 13,171,348</u></u>

Note 7 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2025, between major and non-major governmental funds are as follows:

Due To	Due From
General Fund	
Non-Major Governmental Funds	<u><u>\$ 21,167</u></u>

The balance of \$21,167 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for lunches provided.

Operating Transfers

Interfund transfers for the year ended June 30, 2025, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
General Fund	\$ -	\$ 2,200,000	\$ -	\$ 2,200,000
Special Reserve Fund for Capital Outlay Projects	4,868,863	-	64	4,868,927
Total	<u>\$ 4,868,863</u>	<u>\$ 2,200,000</u>	<u>\$ 64</u>	<u>\$ 7,068,927</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for Redevelopment Agency funding and to fund future technology upgrades. \$ 4,868,863

The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for the School Technology Trust project. 2,200,000

The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Outlay Projects for residual interest. 64

Total \$ 7,068,927

Note 8 - Accounts Payable

Accounts payable at June 30, 2025, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,448,772	\$ -	\$ -	\$ 78,547	\$ 1,527,319
LCFF apportionment	15,693,957	-	-	-	15,693,957
Salaries and benefits	1,215,338	-	-	5,994	1,221,332
Special Education	415,550	-	-	-	415,550
Construction	-	367,584	4,790,937	656	5,159,177
Total	<u>\$ 18,773,617</u>	<u>\$ 367,584</u>	<u>\$ 4,790,937</u>	<u>\$ 85,197</u>	<u>\$ 24,017,335</u>

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

Summary

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

	Balance July 1, 2024, as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 106,132,949	\$ 13,214,276	\$ (2,060,000)	\$ 117,287,225	\$ 1,820,000
Unamortized debt premiums	7,818,761	319,460	(323,874)	7,814,347	-
ESD Public Financing Authority (PFA) local agency bonds	20,435,000	-	(2,310,000)	18,125,000	1,985,000
Lease liability	832,225	17,527	(615,057)	234,695	110,813
Subscription-based IT arrangements	160,324	414,241	(158,387)	416,178	120,994
Compensated absences	9,683,285	836,590	-	10,519,875	6,475,646
Total	<u>\$ 145,062,544</u>	<u>\$ 14,802,094</u>	<u>\$ (5,467,318)</u>	<u>\$ 154,397,320</u>	<u>\$ 10,512,453</u>

The change in compensated absences is presented as a net change.

Payments for the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments for the Etiwanda School District (ESD) Public Financing Authority local agency bonds are made by the Debt Service Fund for Blended Component Units. Payments for the lease liabilities are made by the General Fund and the Building Fund. Payments for subscription-based IT arrangements are made by the General Fund. Payments for the compensated absences are paid by the fund for which the employee worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2025
5/31/2017	8/1/2046	2.00-5.00%	\$ 45,995,326	\$ 39,774,646	\$ -	\$ 239,205	\$ (260,000)	\$ 39,753,851
5/21/2020	8/1/2049	2.76-4.00%	49,996,434	48,343,382	-	720,098	(180,000)	48,883,480
9/29/2022	8/1/2052	3.35-5.25%	19,326,323	18,014,921	-	216,488	(1,620,000)	16,611,409
11/19/2024	8/1/2054	4.00-5.00%	11,996,840	-	11,996,840	41,645	-	12,038,485
				<u>\$ 106,132,949</u>	<u>\$ 11,996,840</u>	<u>\$ 1,217,436</u>	<u>\$ (2,060,000)</u>	<u>\$ 117,287,225</u>

On November 8, 2016, the voters of the District approved Measure I, which allowed the District to issue \$137,000,000 of general obligation bonds to be used to repair and update school facilities.

2017A General Obligation Bonds

On May 31, 2017, \$45,995,326 of Etiwanda School District, Election of 2016, Series 2017A Bonds were issued with a final maturity date of August 1, 2046. The bonds were issued as current interest bonds in the principal amount of \$41,970,000 and capital appreciation bonds in the original principal amount of \$4,025,326. Interest rates range between 2.00 and 5.00%, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding balance of the bonds at June 30, 2025 was \$39,753,851. Unamortized premium received on issuance of the bonds amount to \$3,278,760 as of June 30, 2025.

2020B General Obligation Bonds

On May 21, 2020, \$49,996,434 of Etiwanda School District, Election of 2016, Series 2020B Bonds were issued with a final maturity date of August 1, 2049. The bonds were issued as current interest bonds in the principal amount of \$30,490,000 and capital appreciation bonds in the original principal amount of \$19,506,434. Interest rates range between 2.76 and 4.00%, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding balance of the bonds at June 30, 2025 was \$48,883,480. Unamortized premium received on issuance of the bonds amount to \$3,028,889 as of June 30, 2025.

2022C General Obligation Bonds

On September 29, 2022, \$19,326,323 of Etiwanda School District, Election of 2016, Series 2022C Bonds were issued with a final maturity date of August 1, 2052. The bonds were issued as current interest bonds in the principal amount of \$15,295,000 and capital appreciation bonds in the original principal amount of \$4,031,323. Interest rates range between 3.35 and 5.25%, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding balance of the bonds at June 30, 2025 was \$16,611,409. Unamortized premium received on issuance of the bonds amount to \$1,197,543 as of June 30, 2025.

2024D General Obligation Bonds

On November 19, 2024, \$11,996,840 of Etiwanda School District, Election of 2016, Series 2024D Bonds were issued with a final maturity date of August 1, 2054. The bonds were issued as current interest bonds in the principal amount of \$7,605,000 and capital appreciation bonds in the original principal amount of \$4,391,840. Interest rates range between 4.00 and 5.00%, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding balance of the bonds at June 30, 2025 was \$12,038,485. Unamortized premium received on issuance of the bonds amount to \$309,155 as of June 30, 2025.

Debt Service Requirement to Maturity

The General Obligation Bonds mature through 2055 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Current Interest to Maturity	Accreted Interest	Total
2026	\$ 1,820,000	\$ 3,501,984	\$ -	\$ 5,321,984
2027	1,845,000	3,469,326	-	5,314,326
2028	2,012,645	3,385,101	12,355	5,410,101
2029	2,079,469	3,300,026	20,531	5,400,026
2030	2,401,447	3,206,751	13,553	5,621,751
2031-2035	15,832,198	14,570,605	1,347,802	31,750,605
2036-2040	19,420,745	12,498,780	7,064,255	38,983,780
2041-2045	23,973,170	11,216,881	12,456,830	47,646,881
2046-2050	37,362,551	5,741,504	13,777,449	56,881,504
2051-2055	10,540,000	966,374	-	11,506,374
Total	<u>\$ 117,287,225</u>	<u>\$ 61,857,332</u>	<u>\$ 34,692,775</u>	<u>\$ 213,837,332</u>

Etiwanda School District Public Financing Authority Bonds

The Etiwanda School District Public Financing Authority (ESD PFA) was created to refinance certain Community Facility Districts' (CFD) debt. On May 22, 2018, the ESD PFA issued \$29,390,000 of Local Agency Bonds, Series 2018A. The bonds refinanced the debt for Rancho Etiwanda CFD No. 1 Bonds, CFD No. 2001-1 Bonds, CFD No. 4 Bonds, CFD No. 7 Bonds and CFD No. 8 Bonds. On June 30, 2025, the principal balance outstanding on the ESD PFA bonds was \$18,125,000.

The local agency bonds mature as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 1,985,000	\$ 845,213	\$ 2,830,213
2027	2,135,000	742,213	2,877,213
2028	2,250,000	632,588	2,882,588
2029	2,460,000	514,838	2,974,838
2030	2,635,000	387,463	3,022,463
2031-2033	6,660,000	371,469	7,031,469
Total	<u>\$ 18,125,000</u>	<u>\$ 3,493,784</u>	<u>\$ 21,618,784</u>

Lease Liability

The District has entered into various agreements to lease various facilities and equipment. The District's liability for lease agreements is summarized below:

Leases	Leases Outstanding July 1, 2024	Additions	Payments	Leases Outstanding June 30, 2025
Class Lease - 6774	\$ 168,787	\$ -	\$ (53,541)	\$ 115,246
Class Lease - 6586	450,892	-	(450,892)	-
Class Lease - 6523	153,918	-	(48,824)	105,094
Class Lease - 6518	58,628	-	(58,628)	-
Mail meter machine		17,527	(3,172)	14,355
	<u>\$ 832,225</u>	<u>\$ 17,527</u>	<u>\$ (615,057)</u>	<u>\$ 234,695</u>
Total	<u>\$ 832,225</u>	<u>\$ 17,527</u>	<u>\$ (615,057)</u>	<u>\$ 234,695</u>

The District entered into various agreements to lease portable classroom space during the construction and renovation of permanent buildings and a mail meter machine for periods ranging from two to five years. Contracts start beginning June 2023. The leases have termination dates in June 2025, June 2026, June 2027 and July 2028. Under the terms of the leases, the District pays fixed annual installments. The District has an option to terminate the leases after the end dates mentioned above, which the District believes it will not exercise with reasonable certainty. At June 30, 2025, the District has recognized right to use assets of \$119,071, net of accumulated amortization and a lease liability of \$234,695 related to these agreements. During the year ended June 30, 2025, the District recorded \$357,248 in amortization expense. The District used a discount rate of 5.00%, based on the District's incremental borrowing rate.

The District's lease matures as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 110,813	\$ 11,735	\$ 122,548
2027	116,354	6,194	122,548
2028	3,673	375	4,048
2029	3,855	193	4,048
	<u>\$ 234,695</u>	<u>\$ 18,497</u>	<u>\$ 253,192</u>
Total	<u>\$ 234,695</u>	<u>\$ 18,497</u>	<u>\$ 253,192</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into various SBITA contracts related to school management software with subscription terms ranging from 36 months to 84 months. As of June 30, 2025, the value of the total subscription liability for these contracts was \$416,178. The subscription liabilities were valued using a discount rate of 5.00% based on the District's estimated incremental borrowing rate over the same time period. The value of the right-to-use subscription IT assets, net of accumulated amortization, was \$490,718, as of June 30, 2025.

The remaining principal and interest payment requirements for the SBITA obligations as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 120,994	\$ 20,808	\$ 141,802
2027	53,421	14,759	68,180
2028	56,092	12,088	68,180
2029	58,896	9,284	68,180
2030	61,841	6,339	68,180
2031	64,934	3,246	68,180
Total	<u>\$ 416,178</u>	<u>\$ 66,524</u>	<u>\$ 482,702</u>

Note 10 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2025, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 19,860,806	\$ 3,972,815	\$ 8,289,464	\$ 940,080
Medicare Premium Payment (MPP) Program	525,096	-	-	(97,737)
Total	<u>\$ 20,385,902</u>	<u>\$ 3,972,815</u>	<u>\$ 8,289,464</u>	<u>\$ 842,343</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	60
Active employees	<u>857</u>
Total	<u>917</u>

Benefits Provided

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

The benefit payment requirement of the Plan members and the District are established and may be amended by the District, the Etiwanda Teachers Association (ETA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ETA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2024, the District paid \$936,312 in benefits, of which \$662,102 was used for current premiums and \$274,210 represents the effect of the implicit rate subsidy.

Total OPEB Liability of the District

The District's total OPEB liability of \$19,860,806 was measured as of June 30, 2024, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability as of June 30, 2024 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total OPEB liability to June 30, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.93%
Healthcare cost trend rates	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous and School Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study as of June 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2023	<u>\$ 19,170,151</u>
Service cost	1,497,998
Interest	707,726
Differences between expected and actual experience	(122,474)
Changes of assumptions	(456,283)
Benefit payments	<u>(936,312)</u>
Net change in total OPEB liability	<u>690,655</u>
Balance, June 30, 2024	<u><u>\$ 19,860,806</u></u>

Changes of assumptions reflect a change in the discount rate from 3.65% to 3.93% since the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.93%)	\$ 21,423,223
Current discount rate (3.93%)	19,860,806
1% increase (4.93%)	18,461,485

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	\$ 17,424,894
Current healthcare cost trend rate (4.00%)	19,860,806
1% increase (5.00%)	22,723,146

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

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 595,403	\$ -
Differences between expected and actual experience	276,061	4,854,892
Changes of assumptions	3,101,351	3,434,572
	<u>3,972,815</u>	<u>3,434,572</u>
Total	<u>\$ 3,972,815</u>	<u>\$ 8,289,464</u>

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

The deferred outflows/(inflows) of resources related to differences between expected and actual experiences and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that were provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 15.5 years, and the deferred outflows/(inflows) of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (396,031)
2027	(396,031)
2028	(396,031)
2029	(396,031)
2030	(396,031)
Thereafter	(2,931,897)
	<u>(2,931,897)</u>
Total	<u>\$ (4,912,052)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/forms-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of \$525,096 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period ending June 30, 2024 and June 30, 2023, respectively, was 0.1970%, and 0.2053%, resulting in a net decrease in the proportionate share of 0.0083%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(97,737).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.93%)	\$ 566,564
Current discount rate (3.93%)	525,096
1% increase (4.93%)	488,630

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 486,445
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	525,096
1% increase (6.00% Part A and 7.50% Part B)	568,247

Note 11 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts (CFDs), as authorized by the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt outstanding of \$40,480,000 as of June 30, 2025, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventories	80,917	-	-	192,848	273,765
Total nonspendable	105,917	-	-	192,848	298,765
Restricted					
Legally restricted programs	34,516,643	-	-	9,687,836	44,204,479
Capital projects	-	17,505,301	-	29,945,755	47,451,056
Debt service	-	-	-	6,848,930	6,848,930
Total restricted	34,516,643	17,505,301	-	46,482,521	98,504,465
Committed					
Stabilization	13,437,433	-	-	-	13,437,433
Assigned					
Retiree benefits	11,628,138	-	-	-	11,628,138
Prior year school site carryover	798,262	-	-	-	798,262
Capital projects	-	-	55,861,921	-	55,861,921
Total assigned	12,426,400	-	55,861,921	-	68,288,321
Unassigned					
Reserve for economic uncertainties	7,049,651	-	-	-	7,049,651
Remaining unassigned	10,341,728	-	-	-	10,341,728
Total unassigned	17,391,379	-	-	-	17,391,379
Total	\$ 77,877,772	\$ 17,505,301	\$ 55,861,921	\$ 46,675,369	\$ 197,920,363

Note 13 - Risk Management

Property, Liability and Medical Benefits

The District's risk management activities are recorded in the General Fund. The fund administers employee life, health, property and liability, workers' compensation, and unemployment programs of the District as premiums are paid to insurance carriers and JPAs to which the District is a member. (See Note 16)

Significant losses are covered by commercial insurance via the carriers and JPAs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation

For the year June 30, 2025, the District participated in the California Schools Risk Management (CSRM) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to districts that can meet the JPA selection criteria.

Note 14 - Employee Retirement Systems

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

For the year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 90,697,572	\$ 32,146,414	\$ 13,135,276	\$ 9,533,846
CalPERS	51,814,257	17,793,370	552,629	10,337,359
Total	<u>\$ 142,511,829</u>	<u>\$ 49,939,784</u>	<u>\$ 13,687,905</u>	<u>\$ 19,871,205</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/forms-publications>

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

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

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the District's total contributions were \$17,639,902.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 90,697,572
State's proportionate share of the net pension liability	<u>41,612,358</u>
Total	<u><u>\$ 132,309,930</u></u>

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.1350% and 0.1388%, respectively, resulting in a net decrease in the proportionate share of 0.0038%.

For the year ended June 30, 2025, the District recognized pension expense of \$9,533,846. In addition, the District recognized pension expense and revenue of \$3,788,318 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 17,639,902	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,850,428	2,608,832
Differences between projected and actual earnings on pension plan investments	-	365,960
Differences between expected and actual experience in the measurement of the total pension liability	10,259,064	3,966,154
Changes of assumptions	<u>397,020</u>	<u>6,194,330</u>
Total	<u><u>\$ 32,146,414</u></u>	<u><u>\$ 13,135,276</u></u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (6,080,106)
2027	7,322,710
2028	(597,444)
2029	(1,011,120)
Total	<u>\$ (365,960)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 282,689
2027	430,488
2028	57,050
2029	657,346
2030	1,105,670
Thereafter	(796,047)
Total	<u>\$ 1,737,196</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 161,321,303
Current discount rate (7.10%)	90,697,572
1% increase (8.10%)	31,723,827

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, the Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	1.1% - 2.5%	1.0% - 2.5%
Monthly benefits as a percentage of eligible compensation	7.00%	8.00%
Required employee contribution rate	27.05%	27.05%
Required employer contribution rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$8,178,141.

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

As of June 30, 2025, the District reported a net pension liability for its proportionate share of the CalPERS net pension liability totaling \$51,814,257. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.1450% and 0.1461%, respectively, resulting in a net decrease in the proportionate share of 0.0011%.

For the year ended June 30, 2025, the District recognized pension expense of \$10,337,359. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,178,141	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,113,407	181,796
Differences between projected and actual earnings on pension plan investments	2,012,684	-
Differences between expected and actual experience in the measurement of the total pension liability	4,343,868	370,833
Changes of assumptions	1,145,270	-
	<u>\$ 17,793,370</u>	<u>\$ 552,629</u>
Total		

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (17,351)
2027	3,129,267
2028	(462,387)
2029	(636,845)
	<u>\$ 2,012,684</u>
Total	

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 3,783,790
2027	2,353,351
2028	912,775
Total	<u>\$ 7,049,916</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the SEP investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 76,970,512
Current discount rate (6.90%)	51,814,257
1% increase (7.90%)	31,033,189

Alternative Plan

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Public Agency Retirement System (PARS) as its alternative plan. Contributions made by the District and an employee vest immediately. The District's contributed to \$94,080 to PARS for the fiscal year ending June 30, 2025.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$8,402,400 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have recorded in these financial statements.

Note 15 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

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, 2025.

Construction Commitments

As of June 30, 2025, the District had approximately \$108.4 million in commitments with respect to unfinished capital projects.

Note 16 - Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the Business-Personnel Educational Software Technology and Network Consortium (BEST NET), California Schools Risk Management (CSRM), and the California Schools Employee Benefit Association (CSEBA) joint powers authorities (JPAs). The District pays monthly premiums to the applicable entity for its workers' compensation and medical coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2025, the District made payments of \$247,527, \$2,124,685, and \$19,137,926 to BEST NET, CSRM, and CSEBA, respectively.

Note 17 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by \$5,446,410 and \$3,620,330, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	Governmental Activities
Net Position - Beginning, as previously reported on July 1, 2024	\$ 234,692,479
Change in accounting principle - adoption of GASB Statement No. 101	(9,066,740)
Net Position - Beginning, as Restated on July 1, 2024	<u>\$ 225,625,739</u>

Note 18 - Subsequent Event

In November 2025, the Community Facilities District No. 9 of the Etiwanda School District issued \$4,475,000 of 2025 Special Tax Refunding Bonds with final maturity September 1, 2035. The bonds carry an interest rate of 5.00%. Interest is payable semi-annually on March 1 and September 1 of each year.

Required Supplementary Information
June 30, 2025

Etiwanda School District

Etiwanda School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 153,738,399	\$ 149,344,622	\$ 151,490,730	\$ 2,146,108
Federal sources	5,040,264	5,087,480	5,087,480	-
Other State sources	25,559,788	29,105,717	29,110,416	4,699
Other local sources	22,904,979	30,581,885	37,031,548	6,449,663
Total revenues ¹	207,243,430	214,119,704	222,720,174	8,600,470
Expenditures				
Current				
Certificated salaries	95,678,695	94,307,632	94,286,244	21,388
Classified salaries	34,547,795	35,275,492	35,259,426	16,066
Employee benefits	55,216,434	56,874,901	57,035,428	(160,527)
Books and supplies	7,453,258	11,506,229	7,708,342	3,797,887
Services and operating expenditures	23,829,535	29,855,692	27,361,702	2,493,990
Other outgo	50,966	50,966	110,461	(59,495)
Capital outlay	3,500,866	5,138,369	2,165,650	2,972,719
Debt service				
Debt service - principal	-	-	263,924	(263,924)
Debt service - interest and other	-	-	119,086	(119,086)
Total expenditures ¹	220,277,549	233,009,281	224,310,263	8,699,018
Excess (Deficiency) of Revenues Over Expenditures	(13,034,119)	(18,889,577)	(1,590,089)	17,299,488
Other Financing Sources (Uses)				
Transfers in	2,844,800	2,844,800	2,200,000	(644,800)
Other sources - SBITAs	-	-	414,241	414,241
Other sources - leases	-	-	17,527	17,527
Transfers out	(3,104,603)	(5,654,373)	(4,868,863)	785,510
Net Financing Sources (Uses)	(259,803)	(2,809,573)	(2,237,095)	572,478
Net Change in Fund Balances	(13,293,922)	(21,699,150)	(3,827,184)	17,871,966
Fund Balance - Beginning	81,704,956	81,704,956	81,704,956	-
Fund Balance - Ending	\$ 68,411,034	\$ 60,005,806	\$ 77,877,772	\$ 17,871,966

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 20, Special Reserve Fund for Postemployment Benefits, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, but have not been included in the original and final General Fund budgets.

Etiwanda School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 1,497,998	\$ 1,161,771	\$ 1,662,811	\$ 2,277,037
Interest	707,726	645,742	418,660	503,021
Difference between expected and actual experience	(122,474)	321,691	(79,110)	(3,845,599)
Changes of assumptions	(456,283)	(329,281)	(2,132,385)	(1,109,998)
Benefit payments	(936,312)	(667,560)	(845,458)	(537,261)
Net change in total OPEB liability	690,655	1,132,363	(975,482)	(2,712,800)
Total OPEB Liability - Beginning	19,170,151	18,037,788	19,013,270	21,726,070
Total OPEB Liability - Ending	<u>\$ 19,860,806</u>	<u>\$ 19,170,151</u>	<u>\$ 18,037,788</u>	<u>\$ 19,013,270</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,681,656	\$ 1,606,920	\$ 1,470,327	\$ 1,494,821
Interest	650,684	633,332	583,908	483,516
Difference between expected and actual experience	(15,344)	(3,050,769)	-	-
Changes of assumptions	1,886,023	3,115,570	(344,636)	-
Benefit payments	(469,503)	(446,786)	(412,318)	(459,211)
Net change in total OPEB liability	3,733,516	1,858,267	1,297,281	1,519,126
Total OPEB Liability - Beginning	17,992,554	16,134,287	14,837,006	13,317,880
Total OPEB Liability - Ending	<u>\$ 21,726,070</u>	<u>\$ 17,992,554</u>	<u>\$ 16,134,287</u>	<u>\$ 14,837,006</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Etiwanda School District

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022	2021
Proportion of the net OPEB liability	0.1970%	0.2053%	0.2008%	0.1989%	0.1964%
Proportionate share of the net OPEB liability	\$ 525,096	\$ 622,833	\$ 661,511	\$ 793,386	\$ 832,341
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Etiwanda School District
Schedule of District Proportionate Share of the Net Pension Liability – CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1350%	0.1388%	0.1338%	0.1323%	0.1296%
Proportionate share of the net pension liability	\$ 90,697,572	\$ 105,688,990	\$ 92,976,783	\$ 60,220,101	\$ 125,592,672
State's proportionate share of the net pension liability	41,612,358	50,638,567	46,562,409	30,300,419	64,743,037
Total	<u>\$ 132,309,930</u>	<u>\$ 156,327,557</u>	<u>\$ 139,539,192</u>	<u>\$ 90,520,520</u>	<u>\$ 190,335,709</u>
Covered payroll	<u>\$ 90,188,346</u>	<u>\$ 84,382,455</u>	<u>\$ 75,435,668</u>	<u>\$ 71,401,393</u>	<u>\$ 70,450,667</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>100.56%</u>	<u>125.25%</u>	<u>123.25%</u>	<u>84.34%</u>	<u>178.27%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>84%</u>	<u>81%</u>	<u>81%</u>	<u>87%</u>	<u>72%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1259%	0.1242%	0.1192%	0.1157%	0.1244%
Proportionate share of the net pension liability	\$ 113,684,177	\$ 114,131,892	\$ 110,246,859	\$ 93,560,509	\$ 83,778,747
State's proportionate share of the net pension liability	62,022,308	65,345,846	65,221,110	53,262,329	44,309,722
Total	<u>\$ 175,706,485</u>	<u>\$ 179,477,738</u>	<u>\$ 175,467,969</u>	<u>\$ 146,822,838</u>	<u>\$ 128,088,469</u>
Covered payroll	<u>\$ 68,029,668</u>	<u>\$ 65,872,211</u>	<u>\$ 64,631,963</u>	<u>\$ 58,146,766</u>	<u>\$ 56,414,854</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>167.11%</u>	<u>173.26%</u>	<u>170.58%</u>	<u>160.90%</u>	<u>148.50%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Etiwanda School District
Schedule of District Proportionate Share of the Net Pension Liability – CalPERS
Year Ended June 30, 2025

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1450%	0.1461%	0.1330%	0.1284%	0.1268%
Proportionate share of the net pension liability	\$ 51,814,257	\$ 52,887,970	\$ 45,759,317	\$ 26,114,131	\$ 38,901,463
Covered payroll	\$ 28,938,268	\$ 25,468,967	\$ 20,643,728	\$ 18,527,164	\$ 18,494,164
Proportionate share of the net pension liability as a percentage of its covered payroll	179.05%	207.66%	221.66%	140.95%	210.34%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1260%	0.1143%	0.1000%	0.0981%	0.1005%
Proportionate share of the net pension liability	\$ 36,727,938	\$ 30,483,876	\$ 23,861,763	\$ 19,365,054	\$ 14,812,424
Covered payroll	\$ 17,608,958	\$ 15,220,578	\$ 12,684,008	\$ 11,892,538	\$ 11,078,940
Proportionate share of the net pension liability as a percentage of its covered payroll	208.58%	200.28%	188.12%	162.83%	133.70%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Etiwanda School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 17,639,902	\$ 17,225,974	\$ 16,117,049	\$ 12,763,715	\$ 11,531,325
Less contributions in relation to the contractually required contribution	<u>17,639,902</u>	<u>17,225,974</u>	<u>16,117,049</u>	<u>12,763,715</u>	<u>11,531,325</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 92,355,508</u>	<u>\$ 90,188,346</u>	<u>\$ 84,382,455</u>	<u>\$ 75,435,668</u>	<u>\$ 71,401,393</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 12,047,064	\$ 11,075,230	\$ 9,505,360	\$ 8,130,701	\$ 6,239,148
Less contributions in relation to the contractually required contribution	<u>12,047,064</u>	<u>11,075,230</u>	<u>9,505,360</u>	<u>8,130,701</u>	<u>6,239,148</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 70,450,667</u>	<u>\$ 68,029,668</u>	<u>\$ 65,872,211</u>	<u>\$ 64,631,963</u>	<u>\$ 58,146,766</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>

Etiwanda School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2025

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 8,178,141	\$ 7,720,730	\$ 6,461,477	\$ 4,729,478	\$ 3,835,123
Less contributions in relation to the contractually required contribution	<u>8,178,141</u>	<u>7,720,730</u>	<u>6,461,477</u>	<u>4,729,478</u>	<u>3,835,123</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 30,233,423</u>	<u>\$ 28,938,268</u>	<u>\$ 25,468,967</u>	<u>\$ 20,643,728</u>	<u>\$ 18,527,164</u>
Contributions as a percentage of covered payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 3,647,234	\$ 3,180,530	\$ 2,363,908	\$ 1,761,555	\$ 1,408,909
Less contributions in relation to the contractually required contribution	<u>3,647,234</u>	<u>3,180,530</u>	<u>2,363,908</u>	<u>1,761,555</u>	<u>1,408,909</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 18,494,164</u>	<u>\$ 17,608,958</u>	<u>\$ 15,220,578</u>	<u>\$ 12,684,008</u>	<u>\$ 11,892,538</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

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

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* - The discount rate assumption was changed from 3.65% to 3.93% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

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

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

Etiwanda School District

Etiwanda School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 1,620,666
Title III, English Learner Student Program	84.365	14346	178,715
Title II, Part A, Supporting Effective Instruction	84.367	14341	267,614
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	131,257
Passed through West End SELPA			
Special Education Cluster (IDEA)			
Special Education Grants to States - Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,725,587
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	<u>163,641</u>
Subtotal Special Education Cluster (IDEA)			<u>2,889,228</u>
Total U.S. Department of Education			<u>5,087,480</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
School Breakfast Basic	10.553	13525	346,832
Food Distribution	10.555	13524	409,639
School Lunch - Section 4	10.555	13523	717,503
School Lunch - Section 11	10.555	13524	<u>2,098,047</u>
Subtotal Child Nutrition Cluster			<u>3,572,021</u>
Total U.S. Department of Agriculture			<u>3,572,021</u>
Total Federal Financial Assistance			<u>\$ 8,659,501</u>

Etiwanda School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	Final Report	
	Second Period Report A47FA457	Annual Report 695F5E6C
Regular ADA		
Transitional kindergarten through third	5,546.29	5,570.01
Fourth through sixth	4,418.43	4,425.85
Seventh and eighth	2,989.86	2,991.64
Total Regular ADA	12,954.58	12,987.50
Extended Year Special Education		
Transitional kindergarten through third	-	6.03
Fourth through sixth	-	3.80
Seventh and eighth	-	2.40
Total Extended Year Special Education	-	12.23
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.12	1.30
Fourth through sixth	3.95	3.88
Seventh and eighth	8.25	8.01
Total Special Education, Nonpublic, Nonsectarian Schools	13.32	13.19
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.11	0.22
Fourth through sixth	0.44	0.45
Seventh and eighth	0.83	0.83
Ninth through twelfth	0.01	-
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.39	1.50
Community Day School		
Seventh and eighth	4.07	4.59
Total Community Day School	4.07	4.59
Total ADA	12,973.36	13,019.01

Etiwanda School District
Schedule of Instructional Time
Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	56,700	-	56,700	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		56,700	-	56,700	180	-	180	N/A	N/A	N/A	Complied
Grade 2		56,700	-	56,700	180	-	180	N/A	N/A	N/A	Complied
Grade 3		56,700	-	56,700	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		57,420	-	57,420	180	-	180	N/A	N/A	N/A	Complied
Grade 5		57,420	-	57,420	180	-	180	N/A	N/A	N/A	Complied
Grade 6		58,950	-	58,950	180	-	180	N/A	N/A	N/A	Complied
Grade 7		58,950	-	58,950	180	-	180	N/A	N/A	N/A	Complied
Grade 8		58,950	-	58,950	180	-	180	N/A	N/A	N/A	Complied

Etiwanda School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2025

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

Etiwanda School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

	(Budget) 2026 ¹	2025	2024 ^{1, 4}	2023 ^{1, 4}
General Fund ³				
Revenues	\$ 215,683,317	\$ 221,462,304	\$ 216,883,322	\$ 228,124,179
Other sources and transfers in	<u>10,059,100</u>	<u>3,276,568</u>	<u>3,304,993</u>	<u>3,990,326</u>
Total revenues and other sources	<u>225,742,417</u>	<u>224,738,872</u>	<u>220,188,315</u>	<u>232,114,505</u>
Expenditures	237,387,350	224,310,263	223,063,765	197,804,568
Other uses and transfers out	<u>4,100,000</u>	<u>5,654,373</u>	<u>4,493,868</u>	<u>8,574,798</u>
Total expenditures and other uses	<u>241,487,350</u>	<u>229,964,636</u>	<u>227,557,633</u>	<u>206,379,366</u>
Increase/(Decrease) in Fund Balance	<u>(15,744,933)</u>	<u>(5,225,764)</u>	<u>(7,369,318)</u>	<u>25,735,139</u>
Ending Fund Balance	<u>\$ 39,396,119</u>	<u>\$ 55,141,052</u>	<u>\$ 60,366,816</u>	<u>\$ 67,736,134</u>
Available Reserves ²	<u>\$ 12,698,499</u>	<u>\$ 17,391,379</u>	<u>\$ 24,209,130</u>	<u>\$ 24,416,413</u>
Available Reserves as a Percentage of Total Outgo ³	<u>5.26%</u>	<u>7.56%</u>	<u>10.64%</u>	<u>11.83%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 317,295,051</u>	<u>\$ 314,365,748</u>	<u>\$ 297,841,549</u>
K-12 Average Daily Attendance at P-2	<u>13,168</u>	<u>12,973</u>	<u>12,941</u>	<u>12,621</u>

The General Fund balance has decreased by \$12,595,082 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$15,744,933 (29%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of past three years, and anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$19,453,502 over the past two years.

Average daily attendance has increased by 352 over the past two years. An increase of 195 ADA is anticipated during fiscal year 2025-2026.

¹ Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54

⁴ Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 17 for further detail.

Etiwanda School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2025

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Combined Community Facilities District Capital Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 407,831	\$ 8,502,055	\$ 10,281,560	\$ 3	\$ 19,495,425	\$ 5,837,306	\$ 1,011,624	\$ 45,535,804
Receivables	-	826,419	171,638	-	12,690	-	-	1,010,747
Due from other funds	-	21,167	-	-	-	-	-	21,167
Stores inventories	-	192,848	-	-	-	-	-	192,848
Total assets	\$ 407,831	\$ 9,542,489	\$ 10,453,198	\$ 3	\$ 19,508,115	\$ 5,837,306	\$ 1,011,624	\$ 46,760,566
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 69,636	\$ 656	\$ -	\$ 14,905	\$ -	\$ -	\$ 85,197
Fund Balances								
Nonspendable	-	192,848	-	-	-	-	-	192,848
Restricted	407,831	9,280,005	10,452,542	3	19,493,210	5,837,306	1,011,624	46,482,521
Total fund balances	407,831	9,472,853	10,452,542	3	19,493,210	5,837,306	1,011,624	46,675,369
Total liabilities and fund balances	\$ 407,831	\$ 9,542,489	\$ 10,453,198	\$ 3	\$ 19,508,115	\$ 5,837,306	\$ 1,011,624	\$ 46,760,566

Etiwanda School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2025

	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Combined Community Facilities District Capital Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues								
Federal sources	\$ -	\$ 3,572,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,572,021
Other State sources	-	5,595,037	-	-	-	19,720	-	5,614,757
Other local sources	1,001,507	380,495	2,257,033	3	3,803,839	5,124,726	3,310,084	15,877,687
Total revenues	1,001,507	9,547,553	2,257,033	3	3,803,839	5,144,446	3,310,084	25,064,465
Expenditures								
Current								
Pupil services								
Food services	-	7,405,073	-	-	-	-	-	7,405,073
Administration								
All other administration	-	-	97,241	-	-	-	-	97,241
Plant services	-	-	17,946	-	368,795	-	-	386,741
Ancillary services	966,041	-	-	-	-	-	-	966,041
Debt service								
Principal	-	-	-	-	-	2,060,000	2,310,000	4,370,000
Interest and other	-	-	-	-	-	3,371,715	952,588	4,324,303
Total expenditures	966,041	7,405,073	115,187	-	368,795	5,431,715	3,262,588	17,549,399
Excess (Deficiency) of Revenues Over Expenditures	35,466	2,142,480	2,141,846	3	3,435,044	(287,269)	47,496	7,515,066
Other Financing Sources (Uses)								
Other sources - proceeds from issuance of general obligation bonds	-	-	-	-	-	319,460	-	319,460
Transfers out	-	-	-	(64)	-	-	-	(64)
Net Financing Sources (Uses)	-	-	-	(64)	-	319,460	-	319,396
Net Change in Fund Balances	35,466	2,142,480	2,141,846	(61)	3,435,044	32,191	47,496	7,834,462
Fund Balance - Beginning	372,365	7,330,373	8,310,696	64	16,058,166	5,805,115	964,128	38,840,907
Fund Balance - Ending	\$ 407,831	\$ 9,472,853	\$ 10,452,542	\$ 3	\$ 19,493,210	\$ 5,837,306	\$ 1,011,624	\$ 46,675,369

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position, changes in net position or fund balance of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District did not report any commodities inventory.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

Other Information

June 30, 2025

Etiwanda School District

ORGANIZATION

The Etiwanda School District (the District) was established in 1883, serving preschool/TK and grades kindergarten through eight. The District operates thirteen elementary schools and four intermediate schools. The District is comprised of an area of approximately 48 square miles, located in San Bernardino County. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dr. Fermin Jaramillo	President	November 2026
Mathew Gordon	President Pro Tempore	November 2026
Cathline Fort	County Representative	November 2028
April McAllaster	Clerk	November 2028
Dayna Karsch	Member	November 2026

ADMINISTRATION

NAME	TITLE
Charlayne Sprague	Superintendent
Douglas M. Claflin	Asst. Superintendent of Business Services
Jeannie Tavalazzi	Asst. Superintendent of Instruction/Pupil Services
Laura Rowland	Asst. Superintendent of Personnel Services
Beth Freer	Executive Director of Special Education
Michael Mancuso	Director of Fiscal Services
Alicia Lyon	Director of Pupil Services
David Ortiz	Director of Assessment and Accountability
Justin Kooyman	Director of Instruction
Damita Walton	Director of Personnel
Mike Higgins	Director of Operations & Facilities
Joe Ruddy	Director of Information Technology
Josh Lautenslager	Administrator of Personnel Services

Independent Auditor's Reports
June 30, 2025

Etiwanda School District



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

To the Governing Board
Etiwanda School District
Etiwanda, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Etiwanda School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2025.

Adoption of New Accounting Standard

As discussed in Note 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
December 11, 2025



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

To the Governing Board
Etiwanda School District
Etiwanda, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Etiwanda School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Etiwanda School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Rancho Cucamonga, California
December 11, 2025



Independent Auditor's Report on State Compliance and on Internal Control over Compliance

To the Governing Board
Etiwanda School District
Etiwanda, California

Report on Compliance

Opinion on State Compliance

We have audited Etiwanda School District's (the District) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, Etiwanda School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No, see below
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because average daily attendance reported did not exceed thresholds required for testing.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
December 11, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Etiwanda School District

Financial Statements

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

Federal Awards

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

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Title I, Part A, Basic Grants Low Income and Neglected Special Education Cluster (IDEA)	84.010 84.027, 84.027A
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of November 1, 2026 is by and between the Etiwanda School District (the “Issuer”) and Special District Financing & Administration, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$_____ of the Issuer’s Election of 2016 General Obligation Bonds, Series 2026E (the “Series 2026E Bonds”) and the Issuer’s General Obligation Refunding Bonds, Series 2026 (the “Refunding Bonds” and together with the Series 2026E Bonds, the “Bonds”). The Bonds are being issued pursuant to a resolution of the Issuer dated September 17, 2026 (the “Resolution”). The Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Superintendent of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, Special District Financing & Administration, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Financial Obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a 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 MSRB through the EMMA system consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Official Statement” shall mean the Official Statement for the Bonds.

“Owners” shall mean registered owners of the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than the February 1 following the end of the Issuer’s fiscal year, commencing with the report for the fiscal year ending June 30, 2026, provide to the MSRB the first Annual Report due by February 1, 2027 and each Annual Report due thereafter, which Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. 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 Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Dissemination Agent, if other than the Issuer, of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a). The Issuer 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Issuer is the Dissemination Agent and the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer, in a timely manner, shall send a notice to the MSRB in substantially the form attached to this Disclosure Agreement as Exhibit A. If the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent, in a timely manner, shall send a notice to the MSRB, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB. The Dissemination Agent’s duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports.

The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that if the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), 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) Financial information and operating data with respect to the Issuer of the type included in the Official Statement in the following categories (to the extent not included in the Issuer's audited financial statements):

- (1) State funding received by the Issuer for the last completed fiscal year;
- (2) average daily attendance of the Issuer for the last completed fiscal year;
- (3) outstanding Issuer indebtedness;
- (4) summary financial information on revenues, expenditures and fund balances for the Issuer's general fund reflecting adopted budget for the current fiscal year;
- (5) assessed valuation of taxable property within the Issuer for the current fiscal year;
- (6) if San Bernardino County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the secured *ad valorem* tax levels, collections and delinquencies for the Issuer for the most recently completed fiscal year;
- (7) top twenty property owners in the Issuer for the current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value, if the aggregate percentage of the top ten property owners of the total secured assessed value is greater than 5%; and
- (8) The balance in the Building Fund as of a date within 90 days preceding the filing of the Annual Report.

(c) 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 Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or a Notice of Proposed Issue (IRS Form 5701-TEB) with respect to the Bonds;
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;

5. modifications to the rights of Owners of the Bonds;
6. bond calls;
7. release, substitution or sale of property securing repayment of the Bonds; and
8. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Owners of the Bonds.

(c) If a Listed Event described in subsection (b) occurs, the Issuer shall in a timely manner not more than ten (10) business days after the event determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer and the Dissemination Agent under this Disclosure Agreement 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 Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Special District Financing & Administration. The Dissemination Agent may resign by providing thirty days written notice to the Issuer. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment. (a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of

this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have received and delivered to the Dissemination Agent, if other than the Issuer, an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Agreement may be amended, by written agreement of the parties, upon obtaining consent of Owners at least 25% of the outstanding Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder without its prior written consent.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, 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.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Issuer 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 Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including, but not limited to, the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Owner 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 Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and 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 their 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. Any Dissemination Agent other than the Issuer shall be paid (i) compensation by the Issuer for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer pursuant to this Disclosure Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Paying Agent, the Dissemination Agent, the Participating Underwriter, the Owners and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	Superintendent Etiwanda School District 6061 East Avenue Etiwanda, California 91739
Dissemination Agent:	Special District Financing & Administration _____ _____

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 16 Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

ETIWANDA SCHOOL DISTRICT

By: _____
Its: Superintendent

SPECIAL DISTRICT FINANCING &
ADMINISTRATION, as Dissemination Agent

By: _____
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Etiwanda School District

Name of Bond Issue: Etiwanda School District
San Bernardino County, California
Election of 2016 General Obligation Bonds, Series 2026E

Etiwanda School District
San Bernardino County, California
General Obligation Refunding Bonds, Series 2026

Date of Issuance: November __, 2026

NOTICE IS HEREBY GIVEN that the Etiwanda School District (the "School District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of November 1, 2026, by and between the School District and Special District Financing & Administration, as dissemination agent. [The School District anticipates that the Annual Report will be filed by _____.]

Dated: _____, 20__

SPECIAL DISTRICT FINANCING &
ADMINISTRATION,
Dissemination Agent

cc: School District

APPENDIX D

**SAN BERNARDINO COUNTY TREASURER'S STATEMENT
OF INVESTMENT POLICY**

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Treasurer's Investment Policy

August 5

2025

AUDITOR-CONTROLLER/TREASURER/TAX
COLLECTOR
SAN BERNARDINO COUNTY

Annual
Statement of
Investment
Policy



OFFICE OF THE
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
SAN BERNARDINO COUNTY
TREASURER'S STATEMENT OF INVESTMENT POLICY
As approved by the Board of Supervisors on August 5, 2025

TABLE OF CONTENTS

Section	Topic	Page
1.0	Introduction	2
2.0	Scope	2
3.0	Fiduciary Responsibility	2
4.0	Portfolio Objectives	2
5.0	Delegation of Authority	3
6.0	Staff Authorized to make Investments	3
7.0	Ethics and Conflicts of Interest	3
8.0	Authorized Investments	3
9.0	Diversification	3
10.0	Maturity Parameters	3
11.0	Repurchase Agreements	3
12.0	Investment Pools and Mutual Funds	4
13.0	Prohibited Investments	4
14.0	Authorized Investment Advisors	4
15.0	Authorized Broker/Dealers	4
16.0	Due Diligence	4
17.0	Internal Controls	4
18.0	Security Custody and Delivery	5
19.0	Competitive Pricing	5
20.0	Mitigating Market and Credit Risks	5
21.0	Liquidity	5
22.0	Performance Evaluation	5
23.0	Trading and Early Sale of Securities	6
24.0	Purchase of Securities for Forward Settlement	6
25.0	Portfolio Reports/Auditing	6
26.0	Treasury Oversight	6
27.0	Quarterly Distribution of Investment Earnings	7
28.0	Quarterly Apportionment of Administrative Costs	7
29.0	Criteria for Seeking Voluntary Entry into the Treasury Pool	7
30.0	Policy Adoption and Amendments	7
31.0	Authorized Investments (Sch.I)	8
32.0	Reverse Repo and Securities Lending Agree (Sch.II)	10
33.0	Criteria for Collateralized Certificate of Deposit (Sch.III)	11
34.0	Selection of Broker/Dealers (Sch.IV)	12
35.0	Glossary of Terms	13

1.0 INTRODUCTION:

San Bernardino County (County) has a fiduciary responsibility to maximize the productive use of its liquid assets entrusted to its care and to manage those public funds wisely and prudently. The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. Related activities which comprise good cash management include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and short-term borrowing program which coordinates working capital requirements and investment opportunity. It is the policy of the County to invest public funds in a manner that will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE:

San Bernardino County's Investment Policy Statement (IPS) has been prepared in accordance with California State law. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasury Pool and made on behalf of the County and member agencies of the Pool, with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are made with the understanding that the Treasurer holds a public trust with the citizens of the County, which shall not be compromised.

3.0 FIDUCIARY RESPONSIBILITY:

The California Government Code, Section 27000.3 declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard.

This standard requires that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law." This standard shall be applied in the context of managing the overall portfolio.

4.0 PORTFOLIO OBJECTIVES:

It is the policy of the Treasurer to invest public funds in a manner that will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. Accordingly, the County investment pool will be guided by the following principles, in order of importance:

- The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
- The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements.
- The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

5.0 DELEGATION OF AUTHORITY:

The Treasurer's authority for making investments is delegated by the Board of Supervisors in accordance with the California Government Code. Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq. and 53630 et seq. of the California Government Code. The Treasurer has authorized funds covered under this IPS to be invested by the Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) when applicable.

6.0 STAFF AUTHORIZED TO MAKE INVESTMENTS:

Only the Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) may make investments and jointly order (with the settlement staff) the receipt and delivery of investment securities among custodial security clearance accounts. Authority granted to contracted consultant(s) shall be defined in their contract(s).

7.0 ETHICS & CONFLICTS OF INTEREST:

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, and Investment Analyst(s) are required to file annually the applicable financial disclosure statements as mandated by the Fair Political Practices Commission (FPPC) and/or by County ordinance. In addition, the Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, and Investment Analyst(s), are required to sign and abide by an Ethics Policy instituted by the Auditor-Controller/Treasurer/Tax Collector.

8.0 AUTHORIZED INVESTMENTS:

Investments shall be restricted to those authorized in the California Government Code and as further restricted by this IPS, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I, which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stated for any type of security as detailed above, the maximum allowable limit is determined by the portfolio size at the market close of the regular business day prior to the security purchase date. Maximum limits are applicable at the time of security purchase only unless otherwise noted or defined in Schedule I.

9.0 DIVERSIFICATION:

County Treasurer staff shall diversify its investments by security type, issuer and maturity as specified in Schedule I. The purpose of this diversification is to reduce portfolio risk by avoiding an overconcentration in any particular maturity sector, asset class or specific issuer. As Federal Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

10.0 MATURITY PARAMETERS:

Maturities will be selected such that portfolio net cash flows are reasonably expected to provide sufficient liquidity to meet daily expenditure requirements for the following 12 months. To manage interest rate risk, the effective duration of the portfolio (which adjusts for the optionality of certain investment types) shall not exceed 3 years. Repurchase Agreements using longer-dated investments are not to exceed 5 years and 6 months to maturity. Reserve funds may be invested based on the maturity parameters expressed in the legal document.

11.0 REPURCHASE AGREEMENTS:

Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a Securities Industry & Financial Markets Association (formerly known as The Bond Market Association) Master Repurchase Agreement and, for tri-party repurchase agreements, a Tri-Party

Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must have a maximum stated final maturity of 5 years. Collateral shall be marked to market by staff or by an independent third-party and the custodial bank acting under contract to the County. Collateral for term repurchase agreements shall be marked to market no less than once weekly. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et seq. of the California Government Code.

12.0 INVESTMENT POOLS AND MUTUAL FUNDS:

A thorough investigation of the government sponsored pools and/or mutual funds is required prior to investing and on a continual basis. The County's due diligence resulted in investment parameters for JPA Investment Pools and Money Market Mutual Funds that are listed on Schedule I.

13.0 PROHIBITED INVESTMENTS:

No investment shall be made that is prohibited by law. Thus, no investments are authorized in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor in any other investment that could result in zero interest if held to maturity, unless, if issued or backed by the United States Government in the event of, and for the duration of, a period of negative market interest rates. Additionally, the following types of investments are also prohibited:

- Mutual bond funds that do not maintain a constant Net Asset Value (NAV).
- Illiquid securities which lack a readily available secondary market for trading.

14.0 AUTHORIZED INVESTMENT ADVISORS:

The County may enter into an agreement with an investment advisor for investment management and/or investment advisory services. The investment advisor will operate under the direction of the County Treasurer. The investment advisor must be registered with the Securities and Exchange Commission (SEC) and submit forms ADV Part 1 and ADV Part 2A on an annual basis.

15.0 AUTHORIZED BROKER/DEALERS:

The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Security transactions are limited solely to those banks, direct issuers and dealers included on this list. All financial institutions must be approved by the County Treasurer before they receive County funds or are able to conduct business with the County Treasurer.

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year. Furthermore, in compliance with Section 27133(c) & (d) of the California Government Code, no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, by the Fair Political Practices Commission, or by County ordinance.

16.0 DUE DILIGENCE:

County Treasurer staff shall conduct a thorough review and perform due diligence of all brokers, dealers, issuers of securities, and mutual funds prior to investing or conducting transactions with these parties and on a continuing basis. This due diligence shall include a periodic review of recent news, financial statements and SEC filings related to each entity.

17.0 INTERNAL CONTROLS:

The County Treasurer has established a system of internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to

separation of duties, safekeeping, collateralization, wire transfers and banking related activities. Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

- Investment transactions in excess of overnight maturity conducted by the County Treasurer's office shall be documented and subsequently reviewed by the Treasurer.
- All investment transactions shall be entered into the Treasurer's accounting system.
- County investments shall be transacted, settled, accounted for, and audited by different people.

18.0 SECURITY CUSTODY & DELIVERY:

All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third-party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

All security transactions are to be conducted on a "delivery-versus-payment basis." Trade tickets on all investments are to be reviewed immediately for conformity with County transaction documentation. Trade tickets resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

19.0 COMPETITIVE PRICING:

Investment transactions are to be made at current market prices. When possible, competitive prices should be obtained through multiple bids or offers and documented on the trade ticket or other written forms. When possible, bids and offers for any investment security should be taken from a minimum of three security broker/dealers or banks and awards should be made to the best offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g., commercial paper and certificates of deposit), market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other issuers.

20.0 MITIGATING MARKET & CREDIT RISKS:

Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the credit ratings issued by Standard & Poor's, Moody's and/or Fitch rating services on the credit worthiness of each issuer of securities, by limiting the duration of investments to the time frames noted in Schedule I, and by maintaining the diversification and liquidity standards expressed within this policy.

21.0 LIQUIDITY:

The effective duration of the portfolio shall not exceed 3.0 years. Maturing securities, expected net inflows and outflows are expected to provide sufficient liquidity to meet daily expenditure requirements for the following 12 months.

22.0 PERFORMANCE EVALUATION:

Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, yield and total return, and performance attribution. The portfolio shall be designed to earn a market rate of investment income in relationship to our budgetary needs and economic developments.

In the event of a downgrade of a security held in the portfolio, the Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

23.0 TRADING & EARLY SALE OF SECURITIES:

Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the total return of the portfolio, securities may be sold prior to maturity, either at a profit or loss, when market conditions or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost as per the County's books of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date to the date of sale. However, the sale of a security at a loss can only be made with the approval of the County Treasurer or his designee.

24.0 PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:

Purchases of securities for forward settlement are only authorized as long as the intent of the purchase is to hold them in the portfolio and not for speculative trading, sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date, there is the ability at purchase to hold them in the portfolio to maturity without violating any of the diversification/maturity limits of this policy, and the forward settlement period does not exceed 21 days.

25.0 PORTFOLIO REPORTS/AUDITING:

On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, Chief Executive Officer, Chief Deputy Auditor, Superintendent of Schools and Treasury Oversight Committee a report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, and par value and stating the book vs. current market value together with all other portfolio information required by law.
- Compliance of investments to the existing IPS.
- A statement confirming the ability of the Pool to meet anticipated cash requirements for the next six months.

All security holdings shall be reconciled no less than monthly by the County Treasurer and, in accordance with California Government Code Sections 26920 and 26922, audited at least annually by an independent certified public accounting firm selected in accordance with County procurement policy.

26.0 TREASURY OVERSIGHT COMMITTEE:

In accordance with California Government Code Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

- Review the Treasurer's annual IPS and any subsequent changes thereto prior to submission to the Board of Supervisors for review and adoption.
- Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy.
- Cause an annual audit to be conducted of the Treasury Oversight Committee in accordance with California Government Code Section 27134.

The Treasury Oversight Committee shall receive a copy of every Audit Report as prepared by an independent certified public accounting firm(s). Such reports are made in accordance with the California Government Code Sections 26920 and 26922 and County Board of Supervisor's resolution dated July 6, 1971, and which includes an evaluation of investments for compliance with California Government Code Section 53601 and 53635.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act.

By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury. Members of the Oversight Committee are prohibited from accepting gifts or gratuities from investment advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business.

27.0 QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:

All moneys deposited in the pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. It is the intent of this policy to safeguard and maintain the principal value of funds invested and to minimize "paper losses" caused by changes in market value. Nonetheless, actual portfolio income and/or losses, and net of any reserves, will be distributed quarterly among those participants sharing in pooled investment income in compliance with the California Government Code. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

28.0 QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:

Prior to the quarterly apportionment of pooled fund investment earnings, the County Treasurer is permitted, pursuant to the California Government Code, to deduct from investment earnings the actual cost of the investments, auditing, depositing, handling, and distribution of such income. Accordingly, the Treasurer shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, wire transfers, custodial safekeeping charges, building remodeling costs and other capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer/Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

WITHDRAWAL OF FUNDS:

Any depositor or public official having funds on deposit, either voluntarily or involuntarily, with this pool, that seeks to withdraw these funds for the purpose of investing or depositing them outside the Treasury Pool, shall first submit a request for withdrawal to the Treasurer for approval prior to withdrawing funds.

The request should be submitted and processed as follows:

- In writing, from the governing authority of the funds being withdrawn. The request should state the amount, date of transfer, where investment and/or deposit is/are to be made, and the reason for the request.
- The request must be received by the County Treasurer no less than thirty (30) days prior to the requested date of withdrawal.
- Prior to approving a withdrawal, the County Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury pool, in accordance with California Government Code Section 27136(b).

29.0 CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO THE TREASURY POOL:

The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the Treasury Pool.

30.0 POLICY ADOPTION & AMENDMENTS:

This IPS will become effective immediately following adoption by the Board of Supervisors. This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. It will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until the IPS is subsequently amended in writing by the County Auditor-Controller/Treasurer/Tax Collector, reviewed by the Treasury Oversight Committee and approved by the Board of Supervisors.

31.0 AUTHORIZED INVESTMENTS (SCHEDULE I)

SAN BERNARDINO COUNTY INVESTMENT POLICY					
OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR (SCHEDULE I)					
AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS		MATURITY (not to exceed)	MINIMUM ALLOWABLE CREDIT QUALITY (S&P/MOODY'S/FITCH)
United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the U. S. are pledged for the payment of principal and interest <u>53601(b)</u>	100%	None		7 years and 6 months	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by an agency of the Federal Government or U.S. government-sponsored enterprises <u>53601(f)</u>	100%	Senior debt only (Max 10% of portfolio in new issue agency par callable securities)		5 years and 6 months for senior unsecured debt 7 years and 3 months (for agency mortgage-backed securities only)	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, the International Finance Corporation, and/or the Inter-American Development Bank <u>53601(g)</u>	30%	US Dollar denominated Senior Unsecured debt only		5 years	AA by at least one rating agency*
Bonds, notes, warrants or certificates of indebtedness issued by agencies of and/or within San Bernardino County <u>53601(e)</u>	10%	With approval of Treasurer		5 years	AAA by at least 2 of the 3 rating agencies*
Commercial paper of U.S. Corps with total assets in excess of \$500 MM <u>53635(a)(1)</u>	40% total for all Commercial Paper	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		Per California Government Code <u>53601(h)</u>	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Asset-backed Commercial Paper <u>53635(a)(1)</u>	40% total for all Commercial Paper	Issuer must have program-wide credit enhancements		Per California Government Code <u>53601(h)</u>	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*

Negotiable CDs issued by approved banks <u>53601(i)</u>	30%	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		3 years and 2 months (38 months) from settlement date	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 short-term rating or long-term letter rating of A- and/or A3, or higher (if rated)*
Collateralized Certificates of Deposit <u>53630 et. seq. and 53601(n)</u>	10%	As stipulated in Article 2, Section 53630 et al. of the Calif. Govt. Code		1 year from settlement date	See Section 53630 et al. of the California Government Code
Repurchase Agreements with 102% collateral <u>53601(j)</u>	40%	Repurchase Agreements (contracts) must be on file		180 days	Restricted to PrimaryDealers on Eligible Broker/Dealer List
Reverse Repurchase Agreements <u>53601(j)</u>	10%	See Schedule II		92 days (See Schedule II)	Restricted to PrimaryDealers on Eligible Broker/Dealer List
Medium Term Notes of U.S. Corporations & Depository Institutions and/or Corporate or Bank notes <u>53601(k)</u>	20% (shall not exceed 15% over 13 months)	Subject to 5% overall corporate issuer limit.		3 years and 2 months (38 months) from settlement date	Rated long-term A- and/or A3, or higher by at least 2 of the 3 rating agencies*
Asset-Backed Securities <u>53601(o)</u>	15%	Subject to 5% overall special purpose entity** limit		5 years	As per Section 53601(o) of the California Government Code
FDIC Insured Deposit Accounts Authorized under California Government Code <u>53601.8 & 53635.8</u>	5%	Max \$100MM per selected depository institution. Max \$100MM per placement service		Term Deposits notpermitted	Not Applicable
JPA Investment Pools authorized under California Government Code Section <u>53601(p)</u>	5%	JPA Pool Maintain Constant Net Asset Value (NAV)		Immediate Liquidity	AAA by at least one rating agency*
Money Market mutual funds that meet requirements of California Government Code <u>53601(l) and 53601.6(b)</u>	20%	Registered with SEC. No NAV adjustments. No loads. Max 10% per fund.		Immediate Liquidity	AAA by at least 2 of the 3 rating agencies*
* Standard & Poor's Ratings Services, Moody's Investors Service Inc., and Fitch Ratings Ltd. "New Issue" securities may be purchased and settled based on anticipated ratings. ** See Glossary Terms					

32.0 REVERSE REPO AND SECURITIES LENDING AGREEMENTS (SCHEDULE II)

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements and Securities Lending Agreements:

1. The total of Reverse Repurchase Agreement and Securities Lending Agreement transactions shall not exceed 10 percent of the base value of the portfolio.
2. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.
3. All loaned securities subject to Reverse Repurchase Agreements or Securities Lending Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.
4. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.
5. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreement and Securities Lending Agreement transactions.
6. Reverse Repurchase Agreements and Securities Lending Agreements shall only be placed on portfolio securities that are intended to be held to maturity, have been fully paid for, and have been held in the portfolio for a minimum of 30 days.
7. Reverse Repurchase Agreements and Securities Lending Agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.
8. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement or Securities Lending Agreement with any authorized primary dealer.
9. Reverse Repurchase Agreement and Securities Lending Agreement transactions shall have the approval of the County Treasurer.

33.0 COLLATERALIZED CERTIFICATES OF DEPOSIT (SCHEDULE III)

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The bank must provide us with an executed copy of the authorization for deposit of moneys.
2. The money-market yield on the certificate of deposit must be competitive with negotiable CD's offered by banks on the County's Approved Issuer List in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.
3. Collateral Requirements: the County will only accept U.S. Treasury and/or Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of San Bernardino County. The County must have perfected interest in the collateral. The maximum maturity of securities is 5 years, the collateral must be priced at 110% of the face value of the CD on a daily basis, and the minimum face value per pledged security is \$5 million. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.
4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.
5. The County Treasurer must receive a certificate of deposit, which specifically expresses the terms governing the transaction, such as: deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.).
6. Notwithstanding the above, the certificate of deposit must meet the requirements of Fitch Ratings Ltd. for the County to maintain its AAA pool rating. These requirements typically include an A-1/P-1 and/or F1 short-term rating. The County may rely on credit ratings of Standard & Poor's, Moody's and Fitch to determine the creditworthiness of an institution and/or may supplement this research with its own financial analysis.
7. Deposits will only be made with banks and savings and loans having branch office locations within San Bernardino County.

34.0 SELECTION OF BROKER/DEALERS (SCHEDULE IV)

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for San Bernardino County's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered and qualify under Rule 15C3-1 (uniform net capital rule) with the Securities & Exchange Commission (SEC), and possess all other required licenses.
2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.
3. The firm must acknowledge receipt of the County Treasurer's written IPS guidelines.
4. It is important that the firm provide related services that will enhance the account relationship, which could include:
 - (a) An active secondary market for its securities.
 - (b) Internal credit research analysis on commercial paper, bankers' acceptances and other securities it offers for sale.
 - (c) Be willing to purchase securities from our portfolio.
 - (d) Be capable of providing market analysis, economic projections, and newsletters.
5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.
6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.
7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or, for repurchase agreements, on a tri-party basis.
8. The broker/dealer must have been in operation for more than five (5) years.
9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer. Broker/dealers with less than \$10 million of net capital may be approved for trading that is limited in maturity or amount or may not be approved for extended settlement trades.
10. Repurchase agreement counterparties will be limited to primary government securities dealers who report to the Federal Reserve Bank of New York.

35.0 GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

ASSET-BACKED SECURITY (ABS) – A financial security backed by a loan, lease, or receivables against assets other than real estate and mortgage-backed securities.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company's creditworthiness.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government but involve Federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE'S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

- Federal National Mortgage Association (FNMA)
- Federal Home Loan Bank (FHLB)
- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Mortgage Corporation (FHLMC)

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INVERSE FLOATERS – Floating rate notes that pay interest in inverse relationship to an underlying index.

LIQUID – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THRU SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

POOL – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

PRIMARY DEALER – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e., brokers).

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES LENDING – A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SPECIAL PURPOSE ENTITY (or TRUST) - A legally separated pass-through entity, trust or equivalent that makes its obligation secure and independent from the parent entity. This term is used to define purchase of Asset-Backed Securities at either the depositor or master trust level.

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WHEN-ISSUED SECURITIES – A security traded before it receives final trading authorization with the investor receiving the certificate/security only after the final approval is granted.

YIELD – The gain, expressed as a percentage that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

APPENDIX E

COUNTY INVESTMENT POOL MONTHLY REPORT

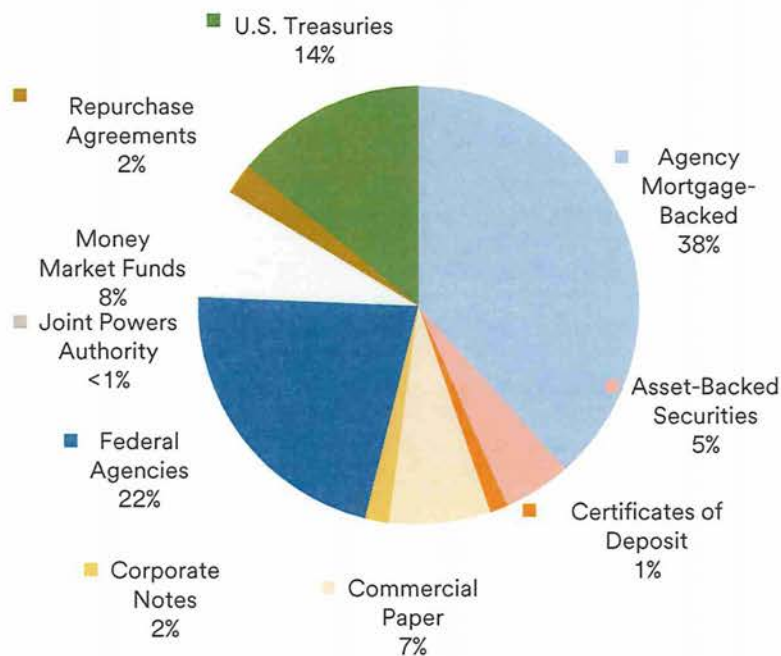
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San Bernardino County Pool Summary (as of 7/31/2026)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Weighted Average Maturity	Effective Duration
Agency Mortgage-Backed	5,900,380,761	5,820,841,484	5,812,719,824	38.4%	4.64%	1286	3.14
Asset-Backed Securities	759,322,529	759,280,133	758,382,354	5.0%	4.24%	905	0.87
Certificates of Deposit	200,000,000	200,000,000	199,961,200	1.3%	3.91%	135	0.36
Commercial Paper	1,138,000,000	1,127,492,705	1,127,367,775	7.4%	3.78%	85	0.23
Corporate Notes	263,650,000	263,467,185	262,192,558	1.7%	4.40%	598	1.52
Federal Agencies	3,333,077,000	3,303,072,532	3,300,571,767	21.8%	3.72%	137	0.36
Joint Powers Authority	15,000,000	15,000,000	15,000,000	0.1%	-	1	0.00
Money Market Funds	1,202,000,000	1,202,000,000	1,202,000,000	7.9%	3.55%	1	0.00
Repurchase Agreements	350,000,000	350,000,000	350,000,000	2.3%	3.61%	4	0.01
U.S. Treasuries	2,150,000,000	2,118,708,452	2,117,596,200	14.0%	4.14%	557	1.43
Total Securities	15,311,430,290	15,159,862,491	15,145,791,678	100.00%	4.16%	665	1.57
Cash Balance	81,142,301	81,142,301	81,142,301				
Total Investments	15,392,572,591	15,241,004,792	15,226,933,979				
Accrued Interest		40,457,793	40,457,793				
Total Portfolio	15,392,572,591	15,281,462,585	15,267,391,772				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, Fidelity, and Morgan Stanley money market funds.
2. Yield for the Joint Powers Authority is a weighted average of the month-end yields for the CAMP and CalTRUST Liquidity funds.
3. Statistics for the total portfolio include money market funds.
4. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg Finance LP, or Telerate.
5. Percentages may not sum to 100% based on rounding differences.
6. Effective Duration as of 7/31/2026.
7. The Cash Balance figure is as of 7/31/2026, as provided by the County.

Sector Distribution

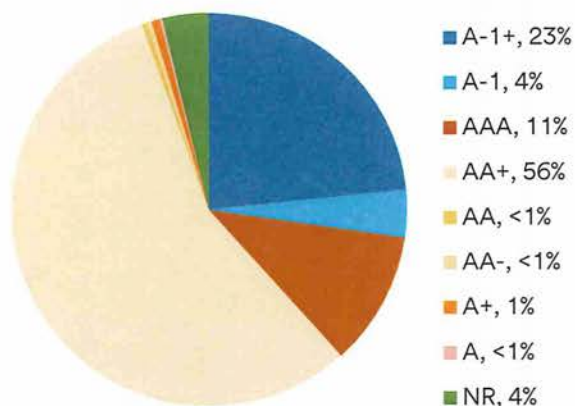


Sector	Market Value
Agency Mortgage-Backed	\$5,812,719,824
Asset-Backed Securities	\$758,382,354
Certificates of Deposit	\$199,961,200
Commercial Paper	\$1,127,367,775
Corporate Notes	\$262,192,558
Federal Agencies	\$3,300,571,767
Joint Powers Authority	\$15,000,000
Money Market Funds	\$1,202,000,000
Repurchase Agreements	\$350,000,000
U.S. Treasuries	\$2,117,596,200

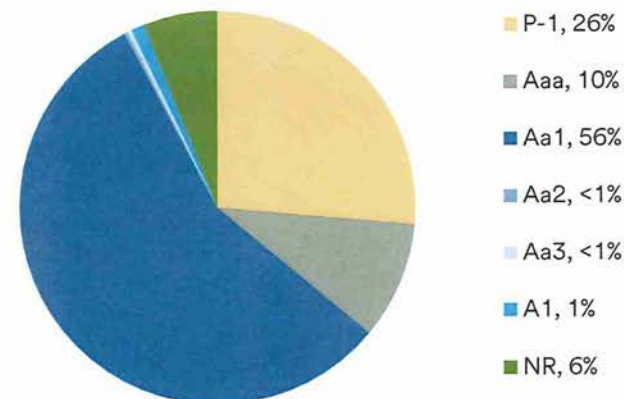
Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

S&P RATINGS



MOODY'S RATINGS

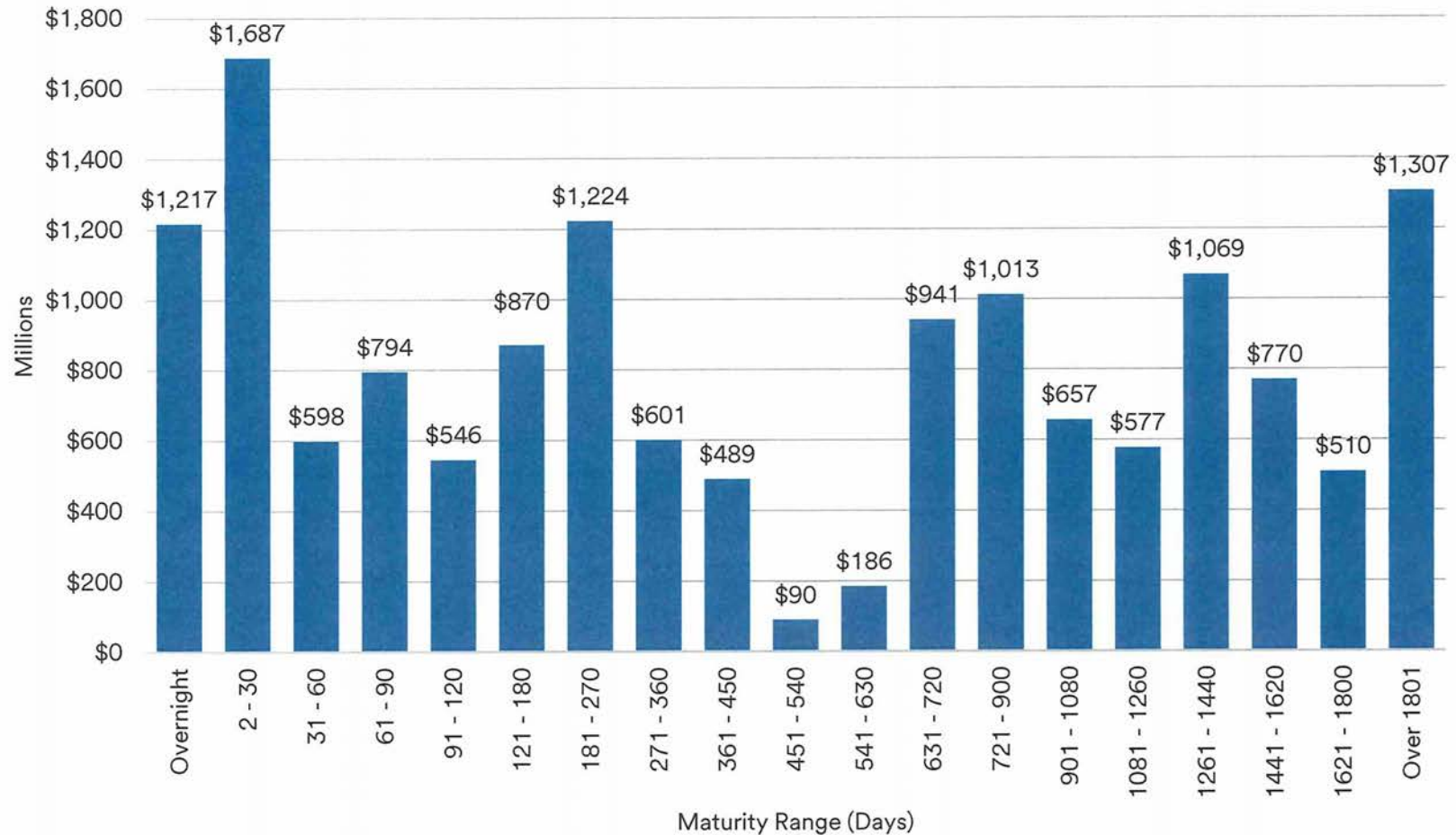


Credit Rating	Market Value
A-1+ (Short-Term)	\$3,552,159,689
A-1 (Short-Term)	\$585,575,850
AAA (Long-Term)	\$1,673,024,525
AA+ (Long-Term)	\$8,504,892,691
AA (Long-Term)	\$64,406,810
AA- (Long-Term)	\$58,376,463
A+ (Long-Term)	\$104,785,260
A (Long-Term)	\$34,624,025
Not Rated	\$567,946,365

Credit Rating	Market Value
P-1 (Short-Term)	\$3,998,460,582
Aaa (Long-Term)	\$1,466,032,552
Aa1 (Long-Term)	\$8,504,892,691
Aa2 (Long-Term)	\$40,130,680
Aa3 (Long-Term)	\$58,376,463
A1 (Long-Term)	\$163,685,415
A2 (Long-Term)	\$0
A3 (Long-Term)	\$0
Not Rated	\$914,213,296

Percentages may not sum to 100% due to rounding.

Maturity Distribution



Maturity range assumes no securities are called.

San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity At Cost
July 2025	4.34%
August 2025	4.37%
September 2025	4.36%
July 2025	4.34%
October 2025	4.35%
November 2025	4.32%
December 2025	4.23%
January 2026	4.18%
February 2026	4.16%
March 2026	4.13%
April 2026	4.10%
June 2026	4.11%
July 2026	4.16%

1. Gross yields not including non-earning assets (compensating bank balances) or administrative costs for management of the pool.
2. All historical yields restated to include money market funds.

Disclaimer

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APPENDIX F

INFORMATION CONCERNING THE CITY OF RANCHO CUCAMONGA, THE CITY OF FONTANA AND SAN BERNARDINO COUNTY

The following information concerning the City of Rancho Cucamonga, the City of Fontana and the San Bernardino County is presented as general background data. The Bonds are not an obligation of the City of Rancho Cucamonga, the City of Fontana, the San Bernardino County, the State of California or any of its political subdivisions, and none of said City, County, or State, nor any of its political subdivisions, is liable therefor.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak, and the economic and other impacts of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact, are developing and uncertain. The information set forth in this Appendix F predates the outbreak of the COVID-19 pandemic and should not be relied upon as representative of the current demographics within the District.

General

The City of Rancho Cucamonga is located in the southwestern portion of the County within the West Valley region of the Inland Empire. The City of Rancho Cucamonga encompasses 40 square miles and is located 37 miles east of San Bernardino and 15 miles west of the city of San Bernardino. The City of Rancho Cucamonga was incorporated as a General Law City in November 1977. The City of Rancho Cucamonga has a council-manager form of municipal government and the City Council is composed of five members elected to four year overlapping terms. The Mayor and Council Members are elected at-large.

The City of Fontana encompasses approximately 43.1 square miles of land and has an estimated population in 2026 of approximately 219,774. The City of Fontana is located 50 miles east of Los Angeles, and approximately 10 miles west of the cities of Riverside and San Bernardino. Founded in 1913, Fontana is the second largest city in San Bernardino County, and the 20th largest in the State. The Riverside-San Bernardino area is often referred to as Southern California's "Inland Empire." As one of the cities in the Inland Empire, Fontana is part of a region whose population base exceeds 4.4 million people.

San Bernardino County (the "County") is located in Southern California and was established by an act of the State Legislature on May 23, 1853, forming the County from the eastern part of San Bernardino County. The County encompasses an area of over 22,000 square miles, making it geographically the largest county in the nation, and includes twenty-four incorporated communities.

Population

The following table shows the population estimates of the City of Rancho Cucamonga, the City of Fontana, the County and the State from 2021 through 2026.

**POPULATION ESTIMATES
CITY OF RANCHO CUCAMONGA, CITY OF FONTANA, SAN BERNARDINO COUNTY AND
STATE OF CALIFORNIA
2021 THROUGH 2026**

<i>Year⁽¹⁾</i>	<i>City of Rancho Cucamonga</i>	<i>City of Fontana</i>	<i>San Bernardino County</i>	<i>State of California</i>
2021	174,746	210,387	2,184,048	39,380,058
2022	173,988	212,400	2,182,080	39,159,480
2023	173,337	213,218	2,177,507	39,167,274
2024	175,551	215,887	2,201,878	39,446,835
2025	176,846	218,460	2,215,490	39,646,907
2026	176,418	219,774	2,216,685	39,592,978

⁽¹⁾ January 1 estimate.

Source: California State Department of Finance, Demographic Research Unit. March 2020 Benchmark for years 2021-2026.

Personal Income

The following table shows the per capita personal income for the County, the State of California and the United States from 2015 through 2025.

**PER CAPITA PERSONAL INCOME⁽¹⁾
SAN BERNARDINO COUNTY, STATE OF CALIFORNIA, AND UNITED STATES
2015 THROUGH 2025**

<i>Year</i>	<i>San Bernardino County</i>	<i>California</i>	<i>United States</i>
2015	35,176	53,828	48,062
2016	36,417	55,873	48,974
2017	37,305	58,225	51,006
2018	38,655	60,994	53,311
2019	41,078	64,230	55,567
2020	45,341	70,098	59,151
2021	49,824	77,221	64,718
2022	49,214	81,318	66,316
2023	50,698	76,991	70,191
2024	53,991	86,761	73,634
2025	-- ⁽²⁾	90,957	77,028

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

⁽²⁾ 2025 per capita personal income for the County not available as of October 2026.

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

Commercial Activity

Summaries of annual taxable sale date for the City of Rancho Cucamonga, the City of Fontana and the County for years 2021 through 2025 are shown in the following tables.

**TAXABLE SALES
CITY OF RANCHO CUCAMONGA
2021 THROUGH 2025
(DOLLARS IN THOUSANDS)**

<i>Year</i>	<i>Retail and Food Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2021	13,080	\$2,320,302	23,758	\$3,197,580
2022	12,822	2,425,905	23,776	3,493,001
2023	12,489	2,349,081	23,355	3,245,281
2024	12,619	2,351,959	23,671	3,264,329
2025	12,459	2,373,728	23,817	3,236,630

Source: "Taxable Sales in California" – California Department of Tax and Fee Administration.

**TAXABLE SALES
CITY OF FONTANA
2021 THROUGH 2025
(DOLLARS IN THOUSANDS)**

<i>Year</i>	<i>Retail and Food Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2021	16,762	\$3,393,088	24,779	\$4,374,359
2022	16,711	3,569,600	24,879	4,804,618
2023	16,554	3,459,027	24,558	4,683,090
2024	17,539	3,300,078	26,013	4,488,950
2025	17,843	3,128,175	26,773	4,366,748

Source: "Taxable Sales in California" – California Department of Tax and Fee Administration.

**TAXABLE SALES
SAN BERNARDINO COUNTY
2021 THROUGH 2025
(DOLLARS IN THOUSANDS)**

<i>Year</i>	<i>Retail and Food Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2021	169,364	\$38,345,912	274,606	\$55,378,097
2022	166,399	40,048,059	273,234	59,992,846
2023	161,872	38,293,705	267,533	57,993,855
2024	164,823	38,757,465	272,843	58,819,797
2025	165,137	41,367,318	276,589	62,042,651

Source: "Taxable Sales in California" – California Department of Tax and Fee Administration.

Employment

The following table summarizes the labor force, employment and unemployment figures for the City of Rancho Cucamonga, the City of Fontana, the County and the State from 2021 through 2025.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE⁽¹⁾
CITY OF RANCHO CUCAMONGA, CITY OF FONTANA, SAN BERNARDINO COUNTY AND
STATE OF CALIFORNIA
2021 THROUGH 2025**

<i>Year</i>	<i>Area</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate</i>
2021	City of Rancho Cucamonga	87,800	82,500	5,300	6.0%
	City of Fontana	102,400	95,100	7,300	7.1
	San Bernardino County	991,300	917,200	9,800	5.1
	State of California	19,013,800	17,619,300	1,394,500	7.3
	United States	163,539,000	157,538,000	6,001,000	3.7
2022	City of Rancho Cucamonga	89,100	86,000	3,100	3.4%
	City of Fontana	104,300	100,300	4,000	3.8
	San Bernardino County	1,001,600	959,600	42,000	4.2
	State of California	19,267,400	18,441,400	826,100	4.3
	United States	160,742,000	147,795,000	12,947,000	8.1
2023	City of Rancho Cucamonga	90,000	86,600	3,400	3.7%
	City of Fontana	106,400	101,800	4,600	4.3
	San Bernardino County	1,015,000	968,100	46,900	4.6
	State of California	19,514,600	18,593,600	921,000	4.7
	United States	161,204,000	152,581,000	8,623,000	5.3
2024	City of Rancho Cucamonga ⁽²⁾	-	96,800	3,100	3.1%
	City of Fontana	-	99,600	4,000	3.8
	San Bernardino County	1,027,000	974,300	52,700	5.1
	State of California	19,692,800	18,650,700	1,042,200	5.3
	United States	164,287,000	158,291,000	5,996,000	3.6
2025	City of Rancho Cucamonga ⁽²⁾	-	97,300	3,400	3.4%
	City of Fontana ⁽²⁾	-	100,100	4,600	4.4
	San Bernardino County	1,044,300	988,100	56,200	5.4
	State of California	19,823,800	18,738,500	1,085,300	5.5
	United States	167,116,000	161,037,000	6,080,000	3.6

⁽¹⁾ Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: California Employment Development Department. March 2024 Benchmark.

⁽²⁾ 2024 and 2025 civilian labor force for City of Fontana and City of Rancho Cucamonga not available as of October 2026.

Industry

The following table summarizes the average annual industry employment in the Riverside-San Bernardino-Ontario MSA from 2021 through 2025.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES RIVERSIDE SAN BERNARDINO ONTARIO MSA 2021 THROUGH 2025

	2021	2022	2023	2024	2025
Civilian Labor Force	2,114,300	2,145,600	2,183,100	2,214,800	2,251,500
Civilian Employment	1,957,100	2,054,800	2,080,600	2,099,000	2,128,200
Civilian Unemployment	157,200	90,800	102,500	115,800	123,300
Civilian Unemployment Rate	7.4%	4.2%	4.7%	5.2%	5.5%
 Total Farm	13,700	13,800	13,200	13,400	13,100
Total Nonfarm	1,575,100	1,660,200	1,680,000	1,699,600	1,717,300
Total Private	1,333,100	1,410,200	1,420,700	1,437,400	1,452,200
Goods Producing	207,700	216,300	215,300	213,600	206,800
Mining and Logging	1,400	1,500	1,500	1,600	1,600
Construction	110,100	114,700	115,700	115,900	110,000
Manufacturing	101,300	96,000	96,100	100,000	98,900
Service Providing	1,367,400	1,443,900	1,464,700	1,485,000	1,510,500
Trade, Transportation and Utilities	443,200	464,900	457,900	455,700	453,800
Wholesale Trade	67,400	69,500	68,900	68,400	67,300
Retail Trade	177,000	181,000	183,000	182,300	181,400
Transportation, Warehousing and Utilities	198,800	214,400	206,000	205,200	205,200
Information	12,500	13,000	13,300	12,800	12,100
Financial Activities	45,200	46,000	44,900	44,100	43,400
Professional and Business Services	166,600	173,900	164,400	161,300	157,400
Educational and Health Services	254,300	267,900	287,800	312,500	341,000
Leisure and Hospitality	160,200	180,900	187,600	186,400	186,700
Other Services	43,600	47,400	49,400	51,000	51,000
Government	<u>242,000</u>	<u>250,000</u>	<u>259,300</u>	<u>262,200</u>	<u>265,100</u>
Total, All Industries	<u>1,588,800</u>	<u>1,674,000</u>	<u>1,693,200</u>	<u>1,713,000</u>	<u>1,730,400</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix F.

Source: State of California, Employment Development Department, March 2025 Benchmark.

Largest Employers

The following tables list the largest employers in the City of Rancho Cucamonga, the City of Fontana and the County as of June 30, 2025.

LARGEST EMPLOYERS CITY OF RANCHO CUCAMONGA AS OF JUNE 30, 2025

<i>Employer</i>	<i>Description</i>	<i>Number of Employees</i>
1. Inland Health Empire Plan	Health Insurance Agency	3,805
2. Etiwanda School District	Primary Education	2,004
3. Chaffey Community College District	Post-Secondary Education	1,763
4. Alto Loma School District	Primary Education	1,135
5. Frito-Lay	Food Products Supplier	917
6. City of Rancho Cucamonga	City Government	722
7. National Community Renaissance of California	Affordable Housing Development	700
8. Amphastar Pharmaceuticals	Pharmaceutical Manufacturing	645
9. Central School District	Primary Education	640
10. Bass Pros Shop Outdoor World	Retail	500

Source: City of Rancho Cucamonga Annual Comprehensive Financial Report for the year ending June 30, 2025

LARGEST EMPLOYERS CITY OF FONTANA AS OF JUNE 30, 2025

<i>Employer</i>	<i>Description</i>	<i>Number of Employees</i>
1. Kaiser Permanente	Hospital and Medical Center	7,587
2. Fontana Unified School District	School District	4,080
3. Amazon.Com Services LLC	Warehouse	3,059
4. So California Permanente Medical Group	Medical Center	2,113
5. St. Bernardine Medical Center	Hospital and Medical Center	1,775
6. City of Fontana (includes part-time employees)	City Government	1,345
7. Walmart #6060 DC Drop Yard	Distribution Center	1,149
8. Walmart DC #6060	Retail Stores	1,149
9. Vpet USA, LLC	Manufacturing	610
10. Reyes Coca-Cola Bottling, LLC	Food Distribution	450

Source: City of Fontana Annual Comprehensive Financial Report for the year ending June 30, 2025.

**LARGEST EMPLOYERS
SAN BERNARDINO COUNTY
Fiscal Year 2025⁽¹⁾**

<i>Rank</i>	<i>Name of Business</i>	<i>No. of San Bernardino County Employees⁽²⁾</i>	<i>Percentage of Total Employment</i>
1	San Bernardino County	10,000+	1.04% +
2	Loma Linda University Medical Center	5,000-9,999	0.52-1.04
3	Ontario International Airport	5,000-9,999	0.52-1.04
4	Amazon	1,000-4,999	0.10-0.52
5	Burlington Distribution Corp	1,000-4,999	0.10-0.52
6	California State University San Bernardino	1,000-4,999	0.10-0.52
7	Dignity Health Community Hospital of San Bernardino	1,000-4,999	0.10-0.52
8	Environmental Systems Research Institute	1,000-4,999	0.10-0.52
9	FedEx Ground	1,000-4,999	0.10-0.52
10	Inland Empire Health Plan	1,000-4,999	0.10-0.52

⁽¹⁾ Due to the confidentiality of reporting number of employees, ranges have been provided.

⁽²⁾ Data represents estimated number of employees.

Source: San Bernardino County Annual Comprehensive Financial Report for the year ending June 30, 2025.

Building Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2019 through 2023 for the City of Rancho Cucamonga, the City of Fontana and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS City of Rancho Cucamonga (Dollars in Thousands) 2019 through 2023

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Valuation (\$000's)					
Residential	\$63,243	\$69,789	\$111,899	\$87,302	\$43,367
Non-Residential	<u>74,625</u>	<u>66,244</u>	<u>57,689</u>	<u>199,617</u>	<u>40,029</u>
Total	\$137,868	\$136,033	\$169,588	\$286,919	\$83,396
Units					
Single Family	112	146	113	88	74
Multiple Family	<u>218</u>	<u>132</u>	<u>582</u>	<u>683</u>	<u>260</u>
Total	330	278	695	771	334

Note: Totals may not add to sum because of rounding.

Source: California Homebuilding Foundation.

BUILDING PERMITS AND VALUATIONS City of Fontana (Dollars in Thousands) 2019 through 2023

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Valuation (\$000's)					
Residential	\$241,483	\$311,547	\$216,978	\$211,710	\$349,920
Non-Residential	<u>145,384</u>	<u>149,761</u>	<u>126,814</u>	<u>363,298</u>	<u>\$111,182</u>
Total	\$386,867	\$461,308	\$343,792	\$575,008	\$461,102
Units					
Single Family	642	848	670	509	1,068
Multiple Family	<u>210</u>	<u>234</u>	<u>382</u>	<u>562</u>	<u>678</u>
Total	852	1,082	1,052	1,071	1,746

Note: Totals may not add to sum because of rounding.

Source: California Homebuilding Foundation.

BUILDING PERMITS AND VALUATIONS
San Bernardino County
(Dollars in Thousands)
2019 through 2023

	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Valuation (\$000's)					
Residential	\$ 1,450,638	\$ 1,139,459	\$ 1,484,898	\$ 1,463,811	\$ 1,304,363
Non-Residential	<u>1,377,099</u>	<u>1,064,696</u>	<u>1,165,646</u>	<u>2,073,646</u>	<u>1,395,789</u>
Total	\$ 2,827,737	\$ 2,204,155	\$ 2,650,544	\$ 3,537,457	\$ 2,700,153
Units					
Single Family	4,096	3,631	4,376	3,701	3,937
Multiple Family	<u>1,884</u>	<u>910</u>	<u>2,636</u>	<u>2,852</u>	<u>2,239</u>
Total	5,980	4,541	7,012	6,553	6,176

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests 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.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION 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 NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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