PRELIMINARY OFFICIAL STATEMENT DATED MARCH 27, 2025

NEW ISSUE—BOOK-ENTRY ONLY **Rating: Moody's: "Aa3"**
(See "MISCELLANEOUS — Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2025 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2025 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2025 Bonds. See "TAX MATTERS" herein.

$32,000,000*
MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Obligation Bonds, Election of 2024, Series 2025

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

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

The Morongo Unified School District (San Bernardino County, California) General Obligation Bonds, Election of 2024, Series 2025 (the "Series 2025 Bonds") are being issued by the Morongo Unified School District (the "District"), located in San Bernardino County, California (the "County"), under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Education of the District, adopted on March 11, 2025. Proceeds of the Series 2025 Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and (ii) pay costs of issuance of the Series 2025 Bonds, as further described herein. The Series 2025 Bonds were authorized at an election of the voters of the District held on November 5, 2024, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $88,300,000 aggregate principal amount of bonds of the District.

The Series 2025 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2025 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS" herein.

The Series 2025 Bonds will be issued as current interest bonds, in denominations of $5,000 principal amount or any integral multiple thereof, as set forth on the inside front cover page hereof. Interest on the Series 2025 Bonds is payable on each February 1 and August 1 to maturity or earlier redemption thereof, commencing August 1, 2025. Principal of the Series 2025 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

As more fully described herein, the District may obtain a municipal bond insurance policy to guarantee the scheduled payment of principal of and interest on the Series 2025 Bonds as such payments become due. The District's decision whether to obtain such a policy will be made at or about the time of pricing of the Series 2025 Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or less than all of the Series 2025 Bonds.

The Series 2025 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2025 Bonds. Individual purchases of the Series 2025 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2025 Bonds purchased by them. See "THE SERIES 2025 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2025 Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as authenticating agent, bond registrar, transfer agent and paying agent with respect to the Series 2025 Bonds, to DTC for subsequent disbursement to DTC participants, who will remit such payments to the beneficial owners of the Series 2025 Bonds. See "THE SERIES 2025 BONDS – Payment of Principal and Interest" herein.

The Series 2025 Bonds are subject to redemption prior to maturity as described herein.* See "THE SERIES 2025 BONDS – Redemption" herein.

The Series 2025 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California, as counsel to the Underwriter. It is anticipated that the Series 2025 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about April 17, 2025.

RAYMOND JAMES

Dated: __________, 2025

* *Preliminary; subject to change.*

MATURITY SCHEDULE*
BASE CUSIP†: 617736

$32,000,000*
MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Obligation Bonds, Election of 2024, Series 2025

$__________ Serial Series 2025 Bonds

Maturity (August 1,)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2026	$	%	%	
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
2054				

$__________ _____% Term Series 2025 Bonds due August 1, 20__ – Yield _____% – CUSIP† Suffix ___

$__________ _____% Term Series 2025 Bonds due August 1, 20__ – Yield _____% – CUSIP† Suffix ___

* *Preliminary; subject to change.*

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

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)

BOARD OF EDUCATION

Christopher Claire, *President*
Roberta Meyers, *Clerk*
Pete Wood, *Member*
Karalee Hargrove, *Member*
Bianca Stoker, *Member*

DISTRICT ADMINISTRATORS

Dr. Patricio I. Vargas, *Superintendent*
Sharon Flores, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

Municipal Advisor

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar and Transfer Agent

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2025 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2025 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2025 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed by the District to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2025 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2025 Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2025 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2025 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Obligation Bonds, Election of 2024, Series 2025

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside front cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2025 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, is provided to furnish information in connection with the sale of $32,000,000* aggregate principal amount of Morongo Unified School District (San Bernardino County, California) General Obligation Bonds, Election of 2024, Series 2025 (the "Series 2025 Bonds"), all as indicated on the inside front cover page hereof, to be offered by the Morongo Unified School District (the "District").

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

The Series 2025 Bonds are general obligation bonds of the District secured by and payable from *ad valorem* property taxes to be levied upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). The Series 2025 Bonds are not a debt or obligation of San Bernardino County (the "County") or of the general fund of the District. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2025 Bonds. Quotations from and summaries and explanations of the Series 2025 Bonds, the Resolution (as defined herein) of the Board of Education of the District providing for the issuance of the Series 2025 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2025 Bonds.

Copies of documents referred to herein and information concerning the Series 2025 Bonds are available from the District by contacting: Morongo Unified School District, 5715 Utah Trail, Twentynine

* *Preliminary; subject to change.*

Palms, California 92277, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District is located in the Morongo Basin portion of the Mojave Desert, approximately 57 miles northeast of the City of Palm Springs, in the County. The District provides public school services to the residents of the City of Twentynine Palms and the incorporated Town of Yucca Valley. The District also serves the nearby unincorporated communities of Morongo Valley, Launders, Flamingo Heights, Yucca Mesa, Joshua Tree and Wonder Valley. The District currently provides educational services to children in transitional kindergarten through twelfth grade and operates eleven elementary schools, two middle schools, two comprehensive high schools, one continuation high school, two State preschool programs and a special education preschool program. Total enrollment in the District was approximately 7,361 students in fiscal year 2023-24. As of the preparation of the District's second interim report for fiscal year 2023-24, total enrollment in the District is projected to be approximately 7,225 students in fiscal year 2024-25. The District operates under the jurisdiction of the San Bernardino County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2024-25 is approximately $7.20 billion.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District has faced and may face in the future cybersecurity threats, attacks or incidents from time to time, as more fully described in Appendix A hereto. Moreover, the District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of *ad valorem* property taxes and its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination agents and project management firms. No assurance can be given that future cyber threats or attacks against the District or third-party entities or service providers will not directly or indirectly impact the District or the Owners of the Series 2025 Bonds, including the possibility of impacting the timely payments of debt service on the Series 2025 Bonds or timely filings pursuant to the District's continuing disclosure undertakings. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Cybersecurity."

Possible Municipal Bond Insurance

In connection with the issuance of the Series 2025 Bonds, the District has applied for, and may obtain, a municipal bond insurance policy to guarantee the scheduled payment of principal of and interest on all or a portion of the Series 2025 Bonds as such payments shall become due.

No assurance can be given as to whether a commitment will be issued by an insurer to the District and, if a commitment is issued by an insurer to the District, no assurance can be given as to (a) whether the District will decide to obtain an insurance policy from an insurer in connection with the issuance of the Series 2025 Bonds, or (b) whether the District will insure all or less than all of the Series 2025 Bonds. If a commitment is issued by an insurer to the District, the District's decision as to whether the insurance policy will be obtained from an insurer with respect to all or a portion of the Series 2025 Bonds will be made at or about the time of the pricing of the Series 2025 Bonds and will be based upon, among other things, market conditions at the time of such pricing. If the District does decide to obtain an insurance policy from an insurer, it will be a condition to the issuance of the Series 2025 Bonds that such insurance policy be issued concurrently with the issuance of the Series 2025 Bonds.

In the event the District does decide to obtain a municipal bond insurance policy from an insurer, the insured Series 2025 Bonds (the "Insured Bonds") would be assigned an insured rating based solely as a result of the issuance of such insurance policy, and such rating would reflect the rating agency's views of the claims-paying ability and financial strength of the applicable insurer. The financial strength and claims-paying ability of any insurer are predicated upon a number of factors which could change over time. Neither the District nor the Underwriter has made any independent investigation into the claims-paying ability of any insurer, and no assurance or representation regarding the financial strength or projected financial strength of any insurer is given. In addition, no assurance is made that any insured rating of the Insured Bonds would not be subject to downgrade. The existence of any insurance policy will not, of itself, negatively affect the underlying rating assigned to the Series 2025 Bonds. Without regard to any bond insurance, the Series 2025 Bonds are payable from the proceeds of an *ad valorem* property tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2025 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS." However, any downward revision or withdrawal of any rating of an insurer may have an adverse effect on the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

In the event of default of the payment of principal of or interest on the Insured Bonds, if any, when all or some becomes due, any owner of the Insured Bonds would have a claim under any applicable municipal bond insurance policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of optional redemption or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments would be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. No municipal bond insurance policy would insure against redemption premium, if any. The payment of principal of and interest in connection with mandatory or optional redemption of the Insured Bonds by the issuer which is recovered from an Insured Bond owner as a voidable preference under applicable bankruptcy law would be covered by any municipal bond insurance policy; however, such payments would be made by the applicable insurer at such time and in such amounts as would have been due absent such redemption unless the insurer were to choose to pay such amounts at an earlier date.

In the event any insurer becomes obligated to make payments with respect to any Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. The obligations of any insurer are contractual obligations and, in an event of default by an insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

THE SERIES 2025 BONDS

Authority for Issuance; Purpose

Authority for Issuance. The Series 2025 Bonds are issued by the District under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Sections 15140 and 15146 and Article XIIIA of the Constitution of the State of California (the "California Constitution") and pursuant to a resolution of the Board of Education of the District, adopted on March 11, 2025 (the "Resolution").

Purpose. At an election held on November 5, 2024, the District received approval by at least 55% of the votes cast by eligible voters within the District to issue general obligation bonds of the District in an aggregate principal amount not to exceed $88,300,000 to repair or replace aging roofs; modernize and renovate classrooms, restrooms and school facilities; upgrade aging electrical systems; and improve outdated technology (collectively, the "2024 Authorization"). The Series 2025 Bonds represent the first series of authorized bonds to be issued under the 2024 Authorization. Proceeds of the Series 2025 Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District under the 2024 Authorization, and (ii) pay costs of issuance of the Series 2025 Bonds. See "– Application and Investment of Series 2025 Bond Proceeds" herein. Prior to the issuance of the Series 2025 Bonds, the District has $88,300,000 aggregate principal amount of bonds authorized but unissued under the 2024 Authorization.

Pursuant to the Resolution, the term "Bonds" means all bonds, including the Series 2025 Bonds and refunding bonds, of the District heretofore or hereafter issued pursuant to the voter-approved measures of the District, including bonds approved by the voters pursuant to the 2024 Authorization.

Form and Registration

The Series 2025 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2025 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2025 Bonds. Purchases of the Series 2025 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in the Series 2025 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2025 Bonds, beneficial owners of the Series 2025 Bonds ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series 2025 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement. Interest on the Series 2025 Bonds is payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2025. Interest on the Series 2025 Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2025 Bond will bear interest from the Interest Payment Date of such Series 2025 Bond next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date for such Series 2025 Bond (the "Record Date") and on or prior to the succeeding Interest Payment Date for such Series 2025 Bond, in which event it will bear interest from such Interest Payment Date for such Series 2025 Bond, or unless it is authenticated on or before the Record Date preceding the first

Interest Payment Date for such Series 2025 Bond, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2025 Bond, interest is in default on any outstanding Series 2025 Bonds, such Series 2025 Bond will bear interest from the Interest Payment Date for such Series 2025 Bond to which interest has previously been paid or made available for payment on the outstanding Series 2025 Bonds.

Payment of Series 2025 Bonds. The principal of the Series 2025 Bonds is payable in lawful money of the United States of America to the registered owner thereof (the "Owner"), upon the surrender thereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., as authenticating agent, bond registrar, transfer agent and paying agent (the "Paying Agent"), at the maturity thereof or upon redemption prior to maturity.

The interest on the Series 2025 Bonds is payable on each Interest Payment Date in lawful money of the United States of America to the Owner thereof as of the Record Date preceding such Interest Payment Date, such interest to be paid by check or draft mailed on such Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the Owner thereof at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment will be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 in principal amount of outstanding Series 2025 Bonds who requests in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Payment Date. So long as the Series 2025 Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption*

Optional Redemption. The Series 2025 Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Series 2025 Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Series 2025 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $__________ term Series 2025 Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1,)	Principal Amount to be Redeemed
	$
†	

† Maturity.

* *Preliminary; subject to change.*

The principal amount of the $__________ term Series 2025 Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2025 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $__________ term Series 2025 Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1,)	Principal Amount to be Redeemed
	$
†	

† Maturity.

The principal amount of the $__________ term Series 2025 Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2025 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2025 Bonds for Redemption. If less than all of the Series 2025 Bonds, if any, are subject to optional redemption and are called for redemption, such Series 2025 Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2025 Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Series 2025 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2025 Bond will be deemed to consist of individual Series 2025 Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2025 Bond will be given by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2025 Bonds. See APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption is required to contain the following information: (i) the date of such notice; (ii) the name of the Series 2025 Bonds and the date of issue of such Series 2025 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2025 Bonds to be redeemed; (vi) if less than all of the Series 2025 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2025 Bonds of each maturity to be redeemed; (vii) in the case of Series 2025 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2025 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2025 Bonds to be redeemed; (ix) a statement that such Series 2025 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2025 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure to receive such notice, nor any defect in the notice given, will affect the sufficiency of the proceedings for the redemption of the Series 2025 Bonds called for redemption or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2025 Bonds called for redemption is set aside for the purpose of redeeming the Series 2025 Bonds, the Series 2025 Bonds designated for redemption become due and payable on the specified redemption date and interest ceases to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2025 Bonds at the place specified in the notice of redemption, such Series 2025 Bonds are to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2025 Bonds so called for redemption after such redemption date are entitled to payment of such Series 2025 Bonds and the redemption premium thereon, if any, only from monies on deposit for such purpose in the interest and sinking fund of the District established for the Series 2025 Bonds within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2025 Bonds redeemed are to be cancelled forthwith by the Paying Agent and are not to be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Series 2025 Bonds so called for redemption. Any optional redemption and notice thereof is to be rescinded if for any reason on the date fixed for redemption monies are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2025 Bonds called for redemption. Notice of rescission of redemption is to be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2025 Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice does not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Series 2025 Bonds there is to be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided in the Resolution, the Series 2025 Bonds designated in the notice of redemption. Such monies are to be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Series 2025 Bonds to be redeemed upon presentation and surrender of such Series 2025 Bonds, provided that all monies in the Interest and Sinking Fund are to be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date is to be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Series 2025 Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of the redemption price of the Series 2025 Bonds, the monies are to be held in or returned or transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of Bonds of the District, the monies are to be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such Bonds of the District are at such time outstanding, the monies are to be transferred to the general fund of the District as provided and permitted by law.

Defeasance of Series 2025 Bonds

The Resolution provides that if at any time the District will pay or cause to be paid or there will otherwise be paid to the Owners of any or all of the outstanding Series 2025 Bonds all or any part of the principal of and interest and premium, if any, on the Series 2025 Bonds at the times and in the manner provided in the Resolution and in the Series 2025 Bonds, or as described in the following paragraph, or as otherwise provided by law consistent with the provisions of the Resolution, then such Owners of such Series 2025 Bonds will cease to be entitled to the obligation of the District and of the County to levy and collect property taxes to pay the Series 2025 Bonds as provided in the Resolution, and such obligation and all agreements and covenants of the District to such Owners under the Resolution and under the Series 2025 Bonds will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by the Series 2025 Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the Resolution described below under "– Unclaimed Monies" will apply.

The District may pay and discharge any or all of the Series 2025 Bonds by depositing in trust with the Paying Agent or an escrow agent selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Series 2025 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Monies

Any money held in any fund created pursuant to the Resolution, or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series 2025 Bonds and remaining unclaimed for two years after the principal of all of the Series 2025 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; or, if no such Bonds of the District are at such time outstanding, the monies are required to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2025 Bond Proceeds

The proceeds of the Series 2025 Bonds are expected to be applied as follows:

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Obligation Bonds, Election of 2024, Series 2025

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series 2025 Bonds	$
Plus [Net] Original Issue Premium	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Building Fund	$
Deposit to Interest and Sinking Fund(1)	
Costs of Issuance(2)	
Underwriter's Discount	
Total Uses of Funds	$

(1) Consists of premium received by the District.
(2) Includes legal fees, municipal advisor fees, rating agency fee, printing fees, bond insurance premium (if any), and other miscellaneous expenses.

Under State law, all money received by or apportioned to a school district must generally be paid into and held in the county treasury. The proceeds from the sale of the Series 2025 Bonds received by the District, except for certain amounts permitted to be held and disbursed by a cost of issuance custodian and exclusive of any premium and accrued interest received by the District, will be deposited in the County treasury to the credit of the building fund of the District established for the Series 2025 Bonds (the "Building Fund") and will be accounted for separately from all other District and County funds. Such proceeds will be applied solely for the purposes for which the Series 2025 Bonds were authorized. Any premium or accrued interest on the Series 2025 Bonds received by the District will be deposited in the Interest and Sinking Fund in the County treasury. Taxes collected to pay principal of and interest on the Series 2025 Bonds will also be deposited in the Interest and Sinking Fund. Earnings on the investment of monies in either fund will be retained in that fund and used only for the purpose to which that fund may lawfully be applied. Monies in the Building Fund may only be applied for the purposes for which the Series 2025 Bonds were authorized. Monies in the Interest and Sinking Fund may only be applied to pay principal, interest and redemption premium, if any, on the Series 2025 Bonds.

All funds held by the Treasurer-Tax Collector of the County (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 *et seq.* of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E – "SAN BERNARDINO COUNTY TREASURY INVESTMENT POLICY AND QUARTERLY INVESTMENT POOL" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series 2025 Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Annual debt service on the Series 2025 Bonds, assuming no early optional redemptions, is set forth in the following table.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Obligation Bonds, Election of 2024, Series 2025

Period Ending (August 1,)	Principal	Interest	Total Debt Service
2025	$	$	$
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
Total:	$	$	$

Source: Raymond James & Associates, Inc.

Outstanding Bonds

In addition to the Series 2025 Bonds, the District has four series of general obligation bonds outstanding, each of which is secured by *ad valorem* property taxes levied upon all property subject to taxation by the District.

2005 Authorization. At an election held on November 8, 2005, the District received approval by at least 55% of the votes cast by eligible voters within the District to issue general obligation bonds of the District in an aggregate principal amount not to exceed $48,150,000 to repair and renovate each school of the District, improve student safety and relieve overcrowding by: repairing deteriorating, aging classrooms, restrooms, plumbing, electrical systems and other campus facilities; making safety improvements for fire and health emergencies and security upgrades; renovating classrooms, science and computer labs and technology centers; and building and making improvements to school facilities (collectively, the "2005 Authorization"). On May 9, 2006, the District issued $10,000,000 aggregate principal amount of its General Obligation Bonds, 2005 Election, Series A (San Bernardino County, California) (the "Series 2005A Bonds"), as its first series of bonds issued under the 2005 Authorization to finance authorized projects. On June 26, 2008, the District issued $21,000,000 aggregate principal amount of its General Obligation Bonds, 2005 Election, Series B (the "Series 2005B Bonds"), as its second series of bonds issued under the 2005 Authorization to finance authorized projects. On April 11, 2012, the District issued $17,147,651.95 aggregate initial principal amount of its General Obligation Bonds, 2005 Election, Series C (the "Series 2005C Bonds"), as its third and final series of bonds issued under the 2005 Authorization to finance authorized projects.

2024 Authorization. As previously indicated, at an election held on November 5, 2024, the District received approval by at least 55% of the votes cast by eligible voters within the District to issue general obligation bonds of the District in an aggregate principal amount not to exceed $88,300,000 to repair or replace aging roofs; modernize and renovate classrooms, restrooms and school facilities; upgrade aging electrical systems; and improve outdated technology. The Series 2025 Bonds represent the first series of authorized bonds to be issued under the 2024 Authorization.

Refunding Bonds. On November 29, 2012, the District issued $7,935,000 aggregate principal amount of its 2012 General Obligation Refunding Bonds (the "Series 2012 Refunding Bonds"), to refund a portion of the then outstanding Series 2005A Bonds, maturing on August 1 in the years 2015 through 2030, inclusive. The Series 2005A Bonds have since matured.

On April 4, 2018, the District issued $18,075,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2018A (Tax-Exempt) (the "Series 2018A Refunding Bonds"), simultaneously with $6,435,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2018B (Federally Taxable) (the "Series 2018B Refunding Bonds"). The Series 2018A Refunding Bonds were issued to refund all of the outstanding Series 2005B Bonds. As a result, the Series 2005B Bonds are no longer outstanding. The Series 2018B Refunding Bonds were issued to refund a portion of the then outstanding Series 2005C Bonds maturing on August 1 in the years 2023 through 2025, inclusive, and 2027 through 2039, inclusive.

On May 5, 2022, the District issued $12,690,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2022 (the "Series 2022 Refunding Bonds"), to refund (i) a portion of the outstanding Series 2005C Bonds maturing on August 1, 2042, and (ii) the outstanding Series 2012 Refunding Bonds maturing on August 1 in the years 2023 through 2030, inclusive.

A summary of the District's outstanding general obligation bonded debt is set forth on the following page.

Aggregate Debt Service

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

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Obligation Bonds − Aggregate Debt Service

Period Ending (August 1,)[1]	Series 2005C Bonds	Series 2018A Refunding Bonds	Series 2018B Refunding Bonds	Series 2022 Refunding Bonds	Series 2025 Bonds	Aggregate Total Debt Service
2025	-	$1,571,006	$269,580	$944,000		
2026	$565,400	1,077,256	269,580	977,500		
2027	565,400	1,160,756	269,580	1,004,750		
2028	565,400	1,048,756	269,580	1,035,875		
2029	565,400	1,045,756	269,580	1,075,750		
2030	565,400	1,581,506	384,580	299,125		
2031	565,400	1,674,006	479,865	196,375		
2032	565,400	1,609,006	616,050	196,125		
2033	565,400	1,668,381	676,290	195,875		
2034	565,400	1,722,881	738,020	195,625		
2035	565,400	1,774,131	806,390	195,375		
2036	565,400	1,837,131	870,980	195,125		
2037	565,400	1,896,394	941,790	194,875		
2038	565,400	211,919	2,208,400	194,625		
2039	3,690,400	-	630,410	194,375		
2040	4,803,525	-	-	194,125		
2041	2,895,975	-	-	2,293,875		
2042	-	-	-	5,376,125		
2043	-	-	-	-		
2044	-	-	-	-		
2045	-	-	-	-		
2046	-	-	-	-		
2047	-	-	-	-		
2048	-	-	-	-		
2049	-	-	-	-		
2050	-	-	-	-		
2051	-	-	-	-		
2052	-	-	-	-		
2053	-	-	-	-		
2054	-	-	-	-		
Total:	$18,740,100	$19,878,888	$9,700,675	$14,959,500		

Source: Isom Advisors, a Division of Urban Futures, Inc.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2025 Bonds, the Board of Supervisors of the County (the "Board of Supervisors") is empowered and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series 2025 Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County to the District's general fund. When collected, the tax revenues with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure will be deposited by the County in the interest and sinking fund of the District related to such bond measure and established for such Bonds, which is required to be maintained by the County and to be used solely for the payment of the principal or redemption price of and interest on such Bonds.

The Series 2025 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2025 Bonds.

Statutory Lien on Taxes (Senate Bill 222)

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

This statutory lien, by its terms, secures not only the Series 2025 Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIIIA of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien. For information on outstanding bonds of the District, see "THE SERIES 2025 BONDS – Outstanding Bonds" above.

Pledge of, Lien on and Security Interest in Tax Revenues

As provided in the Resolution, the District has pledged, and granted a lien on and security interest in, all revenues from the property taxes collected from the levy by the Board of Supervisors of the County with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure and all amounts on deposit in any interest and sinking fund of the District related to such bond measure with respect to the Bonds of such bond measure, in order to secure the payment of the principal or redemption price of and interest on such Bonds. Pursuant to the Resolution, such pledge and grant is valid and binding from the date of the Resolution for the benefit of the Owners of the Bonds and successors thereto. The Resolution provides that the property taxes and amounts held in any interest and sinking fund of the District will be immediately subject to this pledge and grant, and the pledge and grant will constitute a lien and security interest which will immediately attach to (a) the property taxes and (b) the amounts held in any interest and sinking fund of the District. Pursuant to the Resolution, this pledge and grant will secure the payment of such Bonds and will be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge or grant and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge and grant constitutes an agreement between the District and the Owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge and grant are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

The pledge of and grant of a lien on and security interest in tax revenues provided for in the Resolution specifies that said pledge and grant secures the Series 2025 Bonds and other general obligations bonds, including refunding bonds, previously issued or that may be issued in the future pursuant to the related voter-approved measure. Previous general obligation bonds of the District have been issued under resolutions that pledge and grant a lien on and security interest in tax revenues to secure the general obligation bonds and the general obligation refunding bonds issued thereunder, and the District may provide for a similar pledge and grant of a lien on and security interest in tax revenues in resolutions adopted in the future that authorize general obligation bonds and general obligation refunding bonds. The Resolution does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the pledge of and grant of a lien on and security interest in such tax revenues.

Property Taxation System

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

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

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2024-25 assessed value of $7,196,191,174. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the California Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

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

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

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2010-11 through 2024-25, each as of the date the equalized assessment roll is established in August of each year.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Assessed Valuations
Fiscal Years 2010-11 through 2024-25

Fiscal Year	Local Secured	Utility	Unsecured	Total
2010-11	$3,383,735,209	$1,063,201	$99,748,384	$3,484,546,794
2011-12	3,385,092,880	1,063,201	86,658,978	3,472,815,059
2012-13	3,368,922,661	1,063,201	79,487,452	3,449,473,314
2013-14	3,317,108,642	1,063,201	76,275,379	3,394,447,222
2014-15	3,470,371,903	2,790,950	81,532,655	3,554,695,508
2015-16	3,610,054,821	2,790,950	87,012,862	3,699,858,633
2016-17	3,689,048,211	2,790,950	81,587,542	3,773,426,703
2017-18	3,827,109,264	2,790,950	78,455,365	3,908,355,579
2018-19	4,055,607,093	2,790,950	76,866,064	4,135,264,107
2019-20	4,323,704,159	2,268,660	108,825,704	4,434,798,523
2020-21	4,599,247,952	2,268,660	83,078,988	4,684,595,600
2021-22	4,995,831,540	2,264,110	87,581,353	5,085,677,003
2022-23	5,784,329,743	2,264,110	88,354,534	5,874,948,387
2023-24	6,587,045,683	3,957,098	98,737,496	6,689,740,277
2024-25	7,053,670,554	3,957,098	138,563,522	7,196,191,174

Source: California Municipal Statistics, Inc.

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

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region, and the State. A pandemic, like the outbreak of the respiratory disease caused by the Coronavirus Disease 2019, which was declared a pandemic by the World Health Organization, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of property within the District. The lack of availability or unaffordability of property or homeowners' insurance may result in a disruption of the real estate market causing a general market decline in property values therefore affecting the assessed value of property within the District. Events resulting in changing economic conditions may also alter the willingness or the ability of local taxpayers to pay *ad valorem* property taxes levied to repay the District's Bonds. The District cannot predict whether events that may result in changing economic conditions will occur or the extent that a change in economic conditions will impact assessed value of property in the District or the willingness or ability of local taxpayers to pay *ad valorem* property taxes.

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

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

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

Risk of Wildfire. Property damage due to wildfire could result in significant damage to, destruction of, and significant decreases in the assessed value of taxable property within the boundaries of the District, as well as in damage to or destruction of District facilities and property. In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted the County and adjacent counties in recent years include the Bridge Fire, Line Fire, York Fire, El Dorado Fire, the Palisades Fire, the Eaton Fire and the Hughes Fire. Within the boundaries of the District, no structures or property were damaged or destroyed by said wildfires. The adjacent counties of Los Angeles and Riverside have also been impacted by the wildfires mentioned above. The District cannot predict the extent to which any future wildfires within the District, the County, or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact District facilities or the assessed value of taxable property within the District.

Prospective purchasers of the Series 2025 Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Series 2025 Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Series 2025 Bonds in full. However, increases in tax rates may impact the ability or willingness of taxpayers to pay their property taxes. See " – Tax Charges and Delinquencies" and " – Teeter Plan" below.

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

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

In addition, Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the California Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single-family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

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

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2024-25 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $179.90 million and its net bonding capacity is approximately $141.83 million (taking into account current outstanding debt before the issuance of the Series 2025 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries by political jurisdiction for fiscal year 2024-25. The District is located entirely within the County and within portions of the cities of Twentynine Palms and Yucca Valley and unincorporated portions of the County.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Fiscal Year 2024-25 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Twentynine Palms	$1,348,598,932	18.74%	$1,348,598,932	100.00%
City of Yucca Valley	2,676,164,456	37.19	$2,676,164,456	100.00%
Unincorporated San Bernardino County	3,171,427,786	44.07	$51,403,449,130	6.17%
Total District	$7,196,191,174	100.00%		
San Bernardino County	$7,196,191,174	100.00%	$341,654,499,349	2.11%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2024-25 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Fiscal Year 2024-25 Assessed Valuation and Parcels by Land Use

	2024-25 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$1,604,010	0.02%	9	0.01%
Commercial/Office	596,549,005	8.46	950	1.51
Recreational	9,264,672	0.13	51	0.08
Industrial	71,781,626	1.02	150	0.24
Social/Institutional	11,389,458	0.16	128	0.20
Subtotal Non-Residential	$690,588,771	9.79%	1,288	2.05%
Residential:				
Single-Family Residence	$4,886,320,503	69.27%	22,821	36.27%
Recreational/Cabin	128,565,589	1.82	3,080	4.90
Condominium/Townhouse	15,782,535	0.22	99	0.16
Mobile Home	173,922,848	2.47	1,714	2.72
Mobile Home Park	30,031,004	0.43	29	0.05
2-4 Residential Units	309,923,049	4.39	1,309	2.08
5+ Residential Units/Apartments	123,891,418	1.76	142	0.23
Miscellaneous Residential Improvements	41,662,438	0.59	432	0.69
Subtotal Residential	$5,710,099,384	80.95%	29,626	47.09%
Vacant Parcels/Government Land	$652,982,399	9.26%	32,003	50.87%
TOTAL	$7,053,670,554	100.00%	62,917	100.00%

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2024-25, including the average and median per parcel assessed value.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Fiscal Year 2024-25 Per Parcel Assessed Valuation of Single-Family Homes

	Number of Parcels	2024-25 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	22,821	$4,886,320,503	$214,115	$169,406

2024-25 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	350	1.534%	1.534%	$5,984,365	0.122%	0.122%
$25,000 -$49,999	1,362	5.968	7.502	53,116,485	1.087	1.210
$50,000 - $74,999	2,118	9.281	16.783	133,733,996	2.737	3.946
$75,000 - $99,999	2,307	10.109	26.892	201,727,152	4.128	8.075
$100,000 - $124,999	2,059	9.022	35.914	230,412,999	4.715	12.790
$125,000 - $149,999	1,821	7.979	43.894	249,941,667	5.115	17.905
$150,000 - $174,999	1,772	7.765	51.659	287,166,227	5.877	23.782
$175,000 - $199,999	1,477	6.472	58.131	276,148,583	5.651	29.434
$200,000 - $224,999	1,258	5.512	63.643	267,143,931	5.467	34.901
$225,000 - $249,999	1,202	5.267	68.910	285,774,501	5.848	40.749
$250,000 - $274,999	1,044	4.575	73.485	273,152,261	5.590	46.340
$275,000 - $299,999	867	3.799	77.284	248,496,724	5.086	51.425
$300,000 - $324,999	787	3.449	80.733	245,311,728	5.020	56.446
$325,000 - $349,999	720	3.155	83.888	242,451,331	4.962	61.407
$350,000 - $374,999	626	2.743	86.631	226,566,394	4.637	66.044
$375,000 - $399,999	479	2.099	88.730	185,660,130	3.800	69.844
$400,000 - $424,999	409	1.792	90.522	168,442,513	3.447	73.291
$425,000 - $449,999	356	1.560	92.082	155,514,448	3.183	76.474
$450,000 - $474,999	269	1.179	93.261	124,183,148	2.541	79.015
$475,000 - $499,999	200	0.876	94.137	97,560,536	1.997	81.012
$500,000 and greater	1,338	5.863	100.000	927,831,384	18.988	100.000
Total	22,821	100.000%		$4,886,320,503	100.000%	

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

Largest Secured Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of secured taxable property in the District on the fiscal year 2024-25 tax roll, and the secured assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Largest Fiscal Year 2024-25 Local Secured Taxpayers

	Property Owner	Primary Land Use	2024-25 Assessed Valuation	Percent of Total[(1)]
1.	Camp Pendleton & Quantico Housing LLC	Apartments	$58,353,803	0.83%
2.	Wal-Mart Stores Inc.	Commercial	25,773,053	0.37
3.	HDMC Holdings LLC	Hospital	16,452,000	0.23
4.	Home Depot USA Inc.	Commercial	13,238,247	0.19
5.	Golden State Water Company	Water Company	12,519,829	0.18
6.	Verdant Encelia LLC	Hotel/Motel	12,138,000	0.17
7.	Desert Properties LLC	Industrial	9,803,865	0.14
8.	Joshua Village 2022 LLC	Shopping Center	9,761,080	0.14
9.	Two-Nine Hospitality Inc.	Hotel/Motel	8,988,159	0.13
10.	Gates of Spain MHC LLC	Mobile Home Park	8,577,468	0.12
11.	Sweetwater YV Cholla Propco LLC	Assisted Living Facility	7,606,307	0.11
12.	Guerra Family Trust	Commercial	7,543,810	0.11
13.	HC-58295 29 Palms Highway LLC	Office Building	7,290,974	0.10
14.	FS Joshua Tree LLC	Hotel/Motel	7,140,000	0.10
15.	Country Club MHP LLC	Mobile Home Park	7,110,094	0.10
16.	R & B Storage LP	Industrial	7,038,000	0.10
17.	QUAIL SPRINGS LLC	Apartments	6,969,313	0.10
18.	Y=MX+B LLC	Residential	6,950,912	0.10
19.	Shah Family Trust	Shopping Center	6,783,360	0.10
20.	Steven Jun Koo	Hotel/Motel	6,654,364	0.09
			$246,692,638	3.50%

(1) The fiscal year 2024-25 local secured assessed valuation is $7,053,670,554.
Source: California Municipal Statistics, Inc.

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

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2025 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2025 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), the lack of availability or unaffordability of property or homeowners' insurance, pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2025 Bonds. Issuance of additional authorized bonds in the future could also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical tax rate area of the District (TRA 23-000). TRA 23-000 comprises approximately 20.73% of the total assessed value of taxable property in the District for fiscal year 2024-25.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Typical Total Tax Rates as Percentage of Assessed Valuation (TRA 23-000)[(1)]
Fiscal Years 2020-21 through 2024-25

	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Copper Mountain Community College District	0.02350	0.02180	0.02412	0.01860	0.01610
Morongo Unified School District	0.04100	0.03910	0.02778	0.03310	0.03540
Total All Property Tax Rate	1.06450%	1.06090%	1.51900%	1.05170%	1.05150%
Mojave Water Agency	0.0550%	0.0550%	0.0550%	0.0550%	0.0550%
Total Land and Improvement Tax Rate	0.0550%	0.0550%	0.0550%	0.0550%	0.0550%
Mojave Water Agency, I.D. No. 1	0.1125%	0.1125%	0.1125%	0.1125%	0.1125%
Total Land Only Tax Rate	0.1125%	0.1125%	0.1125%	0.1125%	0.1125%

(1) Fiscal year 2024-25 assessed valuation of TRA 23-000 is $1,491,416,856.
Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the California Education Code, bonds approved pursuant to the 2024 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2024 Authorization will require a tax rate no greater than $60.00 per $100,000.00 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2025 Bonds, the District projects that the maximum tax rate required to repay the Series 2025 Bonds will be within such legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2025 Bonds and any other series of bonds issued under the 2024 Authorization in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* property taxes for voter-approved indebtedness, including the Series 2025 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

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

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty and a $46 collection fee attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or a natural or manmade disaster, such as earthquake, drought, flood, fire or toxic dumping or the lack of availability or unaffordability of property or homeowners' insurance. The County has adopted the Teeter Plan (defined herein), according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. For more information, see "– Teeter Plan" below. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. If delinquencies increase substantially as a result of events outside the control of the District, the County has the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The County does not provide the secured tax charges and corresponding delinquencies for the general obligation bond debt service levy with respect to property located within the District. While some counties also provide information on the secured tax charges and corresponding delinquencies for the portion of the County's 1% general fund levy that is allocated to the District with respect to property located in the District as an indication of comparative delinquency rates, the County does not provide such information. The portion of the County's 1% general fund levy that is allocated to the District is not pledged to and does not secure the repayment of the Series 2025 Bonds. See "– Teeter Plan" below.

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the full amount of uncollected taxes levied on the secured tax roll credited to its fund, in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district general obligation bonds on the secured tax roll.

The Teeter Plan is to remain in effect unless the Board of Supervisors 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 receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. The District is not aware of any plans by the Board of Supervisors to discontinue the Teeter Plan.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Series 2025 Bonds when due. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic, natural or manmade disaster or other event.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. effective February 25, 2025 for debt outstanding as of March 1, 2025. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Statement of Direct and Overlapping Bonded Debt

February 25, 2025

2024-25 Assessed Valuation: $7,196,191,174

	% Applicable	Debt 3/1/25
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Copper Mountain Community College District	100.000%	$10,226,200
Morongo Unified School District	100.000	38,078,126[1]
Joshua Basin County Water District, A.D. No. 1995-2	100.000	2,080,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$50,385,326
OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	2.106%	$2,122,111
San Bernardino County Flood Control District General Fund Obligations	2.106	785,433
City of Yucca Valley General Fund Obligations	100.000	18,054,000
TOTAL OVERLAPPING GENERAL FUND DEBT		$20,961,544
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		
Twentynine Palms Redevelopment Agency Four Corners Project Area	100.000%	$10,585,000
Yucca Valley Redevelopment Project No. 1	100.000	6,130,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		$16,715,000
COMBINED TOTAL DEBT		$88,061,8770[2]

Ratios to 2024-25 Assessed Valuation:

Direct Debt ($38,079,126)... 0.53%
Total Direct and Overlapping Tax and Assessment Debt...... 0.70%
Combined Total Debt... 1.22%

Ratios to Redevelopment Incremental Valuation ($917,562,887):

Total Tax Increment Debt 1.82%

[1] Excludes the Series 2025 Bonds.
[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series

2025 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2025 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2025 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

To the extent the issue price of any maturity of the Series 2025 Bonds is less than the amount to be paid at maturity of such Series 2025 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2025 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2025 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2025 Bonds is the first price at which a substantial amount of such maturity of the Series 2025 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2025 Bonds accrues daily over the term to maturity of such Series 2025 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2025 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2025 Bonds. Beneficial Owners of the Series 2025 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2025 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2025 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2025 Bonds is sold to the public.

Series 2025 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2025 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2025 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2025 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2025 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2025 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2025 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2025 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2025 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2025 Bonds. Prospective purchasers of the Series 2025 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2025 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2025 Bonds ends with the issuance of the Series 2025 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2025 Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2025 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2025 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Series 2025 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2025 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Series 2025 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2025 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2025 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2025 Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California, as counsel to the Underwriter.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2025 Bonds are legal investments for commercial banks in the State to the extent that the Series 2025 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2025 Bonds are eligible securities for deposit of public monies in the State.

Continuing Disclosure

The District will covenant under the Continuing Disclosure Certificate to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for fiscal year 2024-25 (such initial Annual Report due no later than March 31, 2026) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made for the benefit of the holders and Beneficial Owners of the Series 2025 Bonds in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

Isom Advisors, a Division of Urban Futures, Inc. currently serves as the District's dissemination agent in connection with each of the District's prior continuing disclosure undertakings pursuant to the Rule and will serve as dissemination agent in connection with the continuing disclosure undertaking pursuant to the Rule relating to the Series 2025 Bonds.

The continuing disclosure undertakings under the Continuing Disclosure Certificate are the obligation of the District. The County shall not have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure. The County has not reviewed nor is it responsible for the content of the Official Statement.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2025 Bonds or the District's ability to receive *ad valorem* property taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2025 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2025 Bonds or District officials who will sign certifications relating to the Series 2025 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2025 Bonds.

The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

FINANCIAL STATEMENTS

The District's audited financial statements for fiscal year ended June 30, 2024, are included in Appendix B. Such financial statements have been audited by Nigro & Nigro, a Professional Accountancy Corporation, Murrieta, California ("Nigro"). The District has not requested nor has the District obtained the consent of Nigro to the inclusion of its report in Appendix B. Nigro has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Nigro has not been requested to perform and has not performed any procedures relating to the Official Statement.

MISCELLANEOUS

Rating

Moody's Investors Service, Inc. has assigned its underlying rating of "Aa3" to the Series 2025 Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of the rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2025 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2025 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2025 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2025 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2025 Bonds. Isom Advisors, a Division of Urban Futures, Inc., is acting as the District's municipal advisor (the "Municipal Advisor") with respect to the Series 2025 Bonds. Norton Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriter with respect to the Series 2025 Bonds. Payment of the fees and expenses of the District's Municipal Advisor and counsel to the Underwriter is also contingent upon the sale and delivery of the Series 2025 Bonds.

Underwriting

The Series 2025 Bonds are being purchased for reoffering to the public by Raymond James & Associates, Inc. (the "Underwriter"), pursuant to the terms of a bond purchase agreement executed on __________, 2025 (the "Purchase Agreement"), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Series 2025 Bonds at a price of $__________ (which represents the aggregate principal amount of the Series 2025 Bonds, plus [net] original issue premium of $__________, and less Underwriter's discount in the amount of $__________). The Purchase Agreement provides that the Underwriter will purchase all of the Series 2025 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriter may offer and sell the Series 2025 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2025 Bonds. Quotations from and summaries and explanations of the Series 2025 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2025 Bonds.

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

MORONGO UNIFIED SCHOOL DISTRICT

By: ____________________________________
Superintendent

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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The information in this appendix concerning the operations of the Morongo Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2025 Bonds (as defined in the front portion of this Official Statement) is payable from the general fund of the District or from State revenues. The Series 2025 Bonds are payable from the proceeds of an ad valorem property *tax approved by the voters of the District pursuant to all applicable laws and requirements of the Constitution of the State (the "California Constitution"), and required to be levied by the San Bernardino County (the "County") on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2025 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS" in the front portion of this Official Statement.*

THE DISTRICT

Introduction

The District is located in the Morongo Basin portion of the Mojave Desert, approximately 57 miles northeast of the City of Palm Springs, in the County. The District provides public school services to the residents of the City of Twentynine Palms and the incorporated Town of Yucca Valley. The District also serves the nearby unincorporated communities of Morongo Valley, Launders, Flamingo Heights, Yucca Mesa, Joshua Tree and Wonder Valley. The District currently provides educational services to children in transitional kindergarten through twelfth grade and operates eleven elementary schools, two middle schools, two comprehensive high schools, one continuation high school, two State preschool programs and a special education preschool program. Total enrollment in the District was approximately 7,361 students in fiscal year 2023-24. As of the preparation of the District's second interim report for fiscal year 2024-25 (the "Fiscal Year 2024-25 Second Interim Report"), total enrollment in the District is projected to be approximately 7,225 students in fiscal year 2024-25. The District operates under the jurisdiction of the San Bernardino County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2024-25 is approximately $7.20 billion.

Board of Education

The District is governed by a five-member Board of Education (the "Board of Education"), each member of which is a voting member. Each member is elected by voters within their "area" of the District to four-year terms. Elections are held every two years in alternate slates of two and three. Each December, the Board of Education elects a President and Clerk to serve one-year terms. Current members of the Board of Education, together with their office and the date their current term expires, are listed in the table on the following page.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)

Board of Education

Name	Office	Trustee Area	Term Expires
Christopher Claire	President	Area 4	December 2026
Roberta Meyers	Clerk	Area 5	December 2026
Pete Wood	Member	Area 2	December 2028
Karalee Hargrove	Member	Area 1	December 2028
Bianca Stoker	Member	Area 3	December 2028

Superintendent and Business Services Personnel

General. The Superintendent of the District is appointed by the Board of Education. The Superintendent reports directly to the Board of Education. The Assistant Superintendent, Business Services is hired by and reports directly to the Superintendent. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. The current Superintendent, Dr. Patricio I. Vargas, has served in this position since 2022. The Assistant Superintendent, Business Services is responsible for management of the District's finances and business operations. Sharon Flores has served as Assistant Superintendent, Business Services since 2014.

Dr. Patricio I. Vargas, Superintendent. Patricio Vargas, a Ph.D. Superintendent, has a rich educational background spanning over two decades. His journey began in 1996, where he honed his teaching skills and gradually climbed the administrative ladder. As a principal, director of assessment and educational technology, and assistant superintendent of educational services, Dr. Vargas has consistently demonstrated his expertise in educational leadership and policy development.

His academic achievements include earning bachelor's and master's degrees from La Sierra University and a Ph.D. in Institutional Leadership and Policy Studies from the University of California, Riverside. As an adjunct professor at La Sierra University, Dr. Vargas actively contributes to the preparation of future educational leaders, ensuring that they possess the knowledge and skills necessary to navigate the evolving landscape of education.

Beyond his academic accomplishments, Dr. Vargas is deeply committed to fostering a culture of communication, innovation, and equity in education. He recognizes the transformative power of digital tools in enhancing learning experiences and supporting the well-being of students and staff. Drawing from his bilingual and multicultural background, Dr. Vargas is passionate about closing achievement gaps and promoting inclusivity across the educational spectrum.

Sharon Flores, Assistant Superintendent, Business Services. Ms. Sharon Flores brings over 35 years of experience in public education, beginning her career with the Rialto Unified School District, where she steadily progressed through various key positions, including Supervisor, Director, and Senior Director of Fiscal Services. Throughout her tenure, she demonstrated a strong commitment to enhancing educational operations and upholding fiscal responsibility, making a substantial impact on the district.

In August 2014, Sharon joined the District, where she continues to apply her extensive knowledge and expertise to support educational excellence and strategic financial planning as the Assistant Superintendent, Business Services.

Sharon holds a Bachelor of Arts in Business Management from the University of Phoenix and a certificate in School Business Management from California State University, San Bernardino. Her long-standing career is a testament to her passion for public education and her ability to lead with integrity and innovation.

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face in the future cybersecurity threats, attacks or incidents from time to time. Given the importance of cybersecurity for school districts, federal lawmakers approved the K-12

Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

The District is not aware of any major cyberattack or breach of its systems during the last five years. To protect itself against cyberattacks, the District employs security systems and cybersecurity awareness programs and training applicable to students and employees. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains cyber liability insurance through California Schools Risk Management JPA ("CSRM"). For more information on CSRM, see "DISTRICT FINANCIAL MATTERS – Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures." There can be no assurance that a future cybersecurity incident or attempted cybersecurity incident would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy, collection and holding of *ad valorem* property taxes and its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination agents and project management firms. No assurance can be given that future cyber threats and attacks against third party entities or service providers will not directly or indirectly impact the District or the Owners of the Series 2025 Bonds, including the possibility of impacting the timely payments of debt service on the Series 2025 Bonds or timely filings pursuant to the District's continuing disclosure undertakings.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "− *Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the California Constitution (see "− Local Property Tax Revenues"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District received approximately 76.01% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* property tax), at approximately $115.63 million in fiscal year 2023-24. As of the District's Fiscal Year 2024-25 Second Interim Report, the District projects it will receive approximately 78.57% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* property tax), projected at approximately $112.54 million in fiscal year 2024-25. Such amounts include both the State funding provided under the LCFF as well as other State revenues. See "*− Allocation of State Funding to School Districts; Local Control Funding Formula*," "– Enrollment, A.D.A. and LCFF" and "− Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

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

State Budget Process. According to the California Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2024-25 State budget on June 29, 2024, which was amended through a series of legislative trailer bills (as amended, the "2024-25 State Budget").

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

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

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

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force the State to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

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

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2025 Bonds, and the District takes no responsibility for informing owners of the Series 2025 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2024-25 State Budget. The 2024-25 State Budget notes that the State has experienced significant revenue volatility–seeing unprecedented revenue growth that was quickly followed by a sharp and deep correction back toward historical trends. The 2024-25 State Budget also notes that the unprecedented Internal Revenue Service tax filing and payment postponement in 2023 significantly clouded the State's revenue forecast, and indicates that, with the revenue picture now clearer, the 2024-25 State Budget takes steps to ensure the State is on sound fiscal footing by setting the State on a fiscally responsible long-term path that protects vital programs.

In this regard, the 2024-25 State Budget includes provisions intended to address a budget deficit of approximately $46.8 billion while also creating a positive fund balance in the State's Special Fund for Economic Uncertainties (the "SFEU") in fiscal years 2024-25 and 2025-26 and maintaining core programs for vulnerable populations. The 2024-25 State Budget includes approximately $16.0 billion in budgetary reductions, comprising (a) an approximately 7.95% reduction in the State's operations budget resulting in

State general fund savings of approximately $2.2 billion, (b) a $1.5 billion permanent reduction in State departments' budgets for vacant positions, (c) a reduction of approximately $358.0 million in the State Department of Corrections and Rehabilitation budget in fiscal year 2024-25 and a total reduction of approximately $750.0 million in fiscal years 2022-23 through 2024-25, (d) a $500.0 million reduction to the State Student Housing Revolving Loan Program, (e) a $485.0 million reduction in unspent one-time Learning-Aligned Employment Program resources, (f) an ongoing reduction of $110.0 million to the Middle Class Scholarship Program, beginning in fiscal year 2025-26, (g) a $1.1 billion reduction in various affordable housing programs, and (h) a $746.1 million reduction for various healthcare workforce programs. The 2024-25 State Budget includes a $13.6 billion increase in revenues in fiscal year 2024-25 through fiscal year 2026-27 by means of additional revenue sources and internal borrowing from special funds. As part of this revenue increase, the 2024-25 State Budget includes suspension of net operating loss deductions for companies with over $1.0 million in taxable income and limits business tax credits to $5.0 million in fiscal years 2023-24 through 2025-26, which is projected to increase revenues by $5.95 billion in fiscal year 2024-25, $5.5 billion in fiscal year 2025-26 and $3.4 billion in fiscal year 2026-27. Additionally, the 2024-25 State Budget includes an increased managed care organization tax generating a projected $5.1 billion in fiscal year 2024-25, $4.6 billion in fiscal year 2025-26, and $4.0 billion in fiscal year 2026-27. Significantly, the 2024-25 State Budget provides for the withdrawal of approximately $12.2 billion from the State Rainy Day Fund (the "Rainy Day Fund" or "State Rainy Day Fund") over fiscal years 2024-25 and 2025-26 and approximately $900.0 million from the State Safety Net Reserve in fiscal year 2024-25.

Additional budgeting maneuvers include $6.0 billion in fund shifts, including (a) applying a prior CalPERS supplemental pension payment to the State's overall pension liability which reduces the State's required employer contributions in fiscal year 2024-25 by $1.7 billion, (b) shifting approximately $958.0 million from the State general fund to the State's Greenhouse Gas Reduction Fund for the Formula and Competitive Transit and Intercity Rail Capital Program, and (c) shifting approximately $3.0 billion from the State general fund to the State's Greenhouse Gas Reduction Fund for clean energy and other climate programs. The 2024-25 State Budget also delays funding for programs such as the State Food Assistance Program Expansion, Developmental Services, childcare slots and the State's broadband program by a total amount of approximately $3.1 billion. The 2024-25 State Budget also includes approximately $2.1 billion in payroll and University of California and California State University compact deferrals.

The 2024-25 State Budget projects total resources available in fiscal year 2023-24 of approximately $236.5 billion, including revenues and transfers of approximately $189.4 billion and a prior year balance of approximately $47.1 billion, and total expenditures in fiscal year 2023-24 of approximately $223.1 billion. The 2024-25 State Budget projects total resources available for fiscal year 2024-25 of approximately $225.6 billion, inclusive of revenues and transfers of approximately $212.1 billion and a prior year balance of approximately $13.4 billion. The 2024-25 State Budget projects total expenditures in fiscal year 2024-25 of approximately $211.5 billion, inclusive of non-Proposition 98 expenditures of approximately $128.9 billion and Proposition 98 expenditures of approximately $82.6 billion. The 2024-25 State Budget projects total reserve balances of $22.2 billion at the end of fiscal year 2024-25. This includes $17.6 billion in the State Rainy Day Fund, $3.5 billion in the SFEU, and $1.1 billion in the Public School System Stabilization Account (the "Proposition 98 Rainy Day Fund"). In addition, the 2024-25 State Budget maintains approximately $10.6 billion in the Reserve for Liquidation of Encumbrances. The 2024-25 State Budget includes total funding of $133.8 billion for all K-12 education programs, including $81.5 billion from the State's general fund and $52.3 billion from other funds. The 2024-25 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

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

- Proposition 98 Minimum Guarantee. The 2024-25 State Budget suspends the Proposition 98 minimum guarantee in fiscal year 2023-24 and projects the Proposition 98 minimum guarantee to be in Test 1 in fiscal year 2024-25. In Test 1 years, the Proposition 98 minimum guarantee is equal to the percentage of State general fund appropriated for K-14 schools in fiscal year 1986-87. Suspending the Proposition 98 minimum guarantee is projected to create a maintenance factor obligation of approximately $8.3 billion in fiscal year 2023-24 and is projected to result in a $4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Proposition 98 minimum guarantee level in fiscal year 2024-25. The 2024-25 State Budget reflects Proposition 98 funding levels of $103.7 billion in fiscal year 2022-23, $98.5 billion in fiscal year 2023-24, and $115.3 billion in fiscal year 2024-25. Such funding represents approximately 39.2% of the State's general fund revenues, plus local property tax revenues and a $4.1 billion maintenance factor payment. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2024-25 State Budget increased the funding level from approximately 38.6% to approximately 39.2% to increase the percentage of State general fund revenues obligated to the Proposition 98 minimum guarantee.

- Proposition 98 Rainy Day Fund. The 2024-25 State Budget includes a withdrawal of the entire $8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 and a discretionary payment of approximately $1.1 billion in fiscal year 2024-25, leaving a projected balance of $1.1 billion at the end of fiscal year 2024-25. Because there is no ending balance at the end of fiscal year 2023-24 and a balance of $1.1 billion at the end of fiscal year 2024-25, school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26. See " – *School District Reserves*" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751."

- Local Control Funding Formula. The 2024-25 State Budget includes an LCFF cost-of-living adjustment of 1.07%. The cost-of-living adjustment, when combined with population growth adjustments, increases discretionary funding for local agencies by approximately $983.0 million. To fully fund the LCFF, the 2024-25 State Budget withdraws approximately $5.3 billion from the Proposition 98 Rainy Day Fund to support LCFF costs in fiscal year 2023-24, and uses available reappropriation and reversion funding of $253.9 million to support ongoing LCFF costs in fiscal year 2024-25.

- Deferrals. The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately $3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately $246.0 million. Additionally, the 2024-25 State Budget reflects approximately $2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferred categorical amount being repaid using Proposition 98 Rainy Day Fund resources.

- Learning Recovery Emergency Block Grant. The 2024-25 State Budget focuses the use of allocated but unexpended Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs, and incorporates the use of these funds into the existing Local Control and Accountability Plan development process.

- Employee Protections. To ensure stable employment for school staff, the 2024-25 State Budget includes a suspension of the August 15, 2024, layoff window for certificated and classified staff.

- Instructional Continuity and Attendance Program. The 2024-25 State Budget includes statutory changes to allow local educational agencies to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to local educational agencies. Beginning in fiscal year 2024-25, the 2024-25 State Budget allows local educational agencies to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education for funding purposes. Beginning July 1, 2025, the 2024-25 State Budget requires local educational agencies to include an instructional continuity plan in their School Safety Plan as a component of their emergency funding application. The plan must include procedures for student engagement within 5 days of an emergency and a plan to provide hybrid or remote learning opportunities to students within 10 instructional days. The 2024-25 State Budget also includes a $4.0 million in one-time Proposition 98 general fund resources to research existing, and develop new models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity.

- Teacher Professional Development and Preparation. To expand the State's educator training infrastructure, the 2024-25 State Budget (a) provides $25.0 million of one-time Proposition 98 general fund resources to support necessary costs, including training for educators to administer literacy screenings to meet the requirement to screen students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year; and (b) provides $20.0 million in one-time Proposition 98 general fund resources for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or non-profit providers, to develop and provide training aligned with the new California Mathematics Framework for mathematics coaches and leaders who in turn can provide training and support to mathematics teachers to deliver high-quality instruction.

- State Preschool Program. The 2024-25 State Budget provides approximately $53.7 billion of State general fund resources to support reimbursement rate increases previously supported by available one-time federal stimulus funding. The 2024-25 State Budget reflects one-time savings of $190.7 million general fund and $522.3 million Proposition 98 general fund. The 2024-25 State Budget authorized State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027. The 2024-25 State Budget maintains that the State Preschool Program continue to require providers to reserve 5% of funded enrollment for children with disabilities. However, the 2024-25 State Budget suspends provisions to increase this requirement to 7.5% in fiscal year 2025-26 and 10% in fiscal year 2026-27.

- Transitional Kindergarten. The 2024-25 State Budget provides approximately $988.7 million in Proposition 98 general fund resources for the 2023-24 school year to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and April 2. The 2024-25 State Budget also provides approximately $390.2 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2024-25 State Budget provides approximately $1.5 billion in ongoing Proposition 98 general fund resources beginning in fiscal year 2024-25 to support the third year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and June 2. The 2024-25 State Budget also provides approximately $515.5 million in ongoing Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.

The 2024-25 State Budget includes solution-oriented measures that directly impact funding for school districts, including forgoing planned investments of (a) $875.0 million to support the School Facility

Program, (b) $550.0 million support to the State Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program, and (c) $500.0 million one-time Proposition 98 general fund investment in zero-emission school buses.

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

- Arts and Music in Schools. The 2024-25 State Budget provides approximately $907.1 million to support arts and music in schools.

- Nutrition. The 2024-25 State Budget provides an additional $179.4 million in ongoing Proposition 98 general fund resources and an additional $120.8 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2023-24 and 2024-25. This is in addition to the $1.6 billion base funding for such program.

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

LAO Analysis of the 2024-25 State Budget. The Legislative Analyst's Office (the "LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State legislature, released its report on the 2024-25 State Budget entitled "The 2024-25 Budget: Overview of the Spending Plan" on September 6, 2024 (the "2024-25 State Budget Analysis"). In the 2024-25 State Budget Analysis, the LAO assesses the budget problem that was addressed in the 2024-25 State Budget and analyzes the major proposals for K-12 education.

The LAO estimates that the State addressed a budget shortfall of $55.0 billion, which is larger than the budget shortfall of $47.0 billion cited in the 2024-25 State Budget. The main driver for the $8.0 billion difference is the difference in treatment of assumptions about baseline spending for schools and community colleges.

The LAO notes that the 2024-25 State Budget uses various maneuvers to address the budget shortfall, including reserve withdrawals, spending reductions, revenue increases, and cost shifts. The LAO indicates that spending-related adjustments (including school spending) were the largest component of the budget package, accounting for $39.0 billion and approximately 70% of the total solutions. The LAO also shows that reserve withdrawals were the second largest component, totaling $6.0 billion from the State Rainy Day Fund and the Safety Net Reserve. The report further details that cost shifts and revenue-related solutions were smaller components, amounting to $2.0 billion and $8.0 billion, respectively. The LAO estimates $16.0 billion in one time or temporary spending solutions (excluding school spending) and $4.0 billion in ongoing reductions, which grow to approximately $6 billion over time.

The LAO notes that the budget emergency proclamation by the Governor on June 26, 2024 allowed the 2024-25 State Budget to withdraw approximately $5.0 billion from the State Rainy Day Fund. The 2024-25 State Budget also includes a withdrawal of the $900.0 million balance from the Safety Net Reserve.

The LAO estimates that, pursuant to the 2024-25 State Budget, the State would end the 2024-25 fiscal year with $21.1 billion in General Fund reserves, including$17.6 billion in the State Rainy Day Fund and $3.5 billion in the SFEU. The LAO also estimates that the State would have room under the State appropriations limit in fiscal years 2022-23 through 2024-25. The LAO projects that revenues from the major tax sources would grow from fiscal year 2023-24 to fiscal year 2024-25, but not enough to offset the revenue shortfalls in the prior and current fiscal years.

The LAO explains that the 2024-25 State Budget includes $12.7 billion in reductions to Proposition 98 funding for schools and community colleges over fiscal years 2022-23 through 2024-25. This includes a reduction to the Proposition 98 funding by $2.6 billion for fiscal year 2022-23. For fiscal year 2023-24, the 2024-25 State Budget invokes a provision allowing the State to suspend the minimum requirement and reduces the amount of Proposition 98 funding by $8.3 billion. The LAO states that these reductions lower the Proposition 98 requirement on an ongoing basis but create an obligation to increase funding more rapidly in the future. Additionally, the 2024-25 State Budget introduces a new type of fiscal maneuver that accrues $6.2 billion in previous school and community college payments to future fiscal years. Specifically, the State will not recognize these payments as a cost to the State general fund in the year it provided them i.e., fiscal year 2022-23. The maneuver does not delay or reduce any payments to schools or community colleges, nor does it reduce the Proposition 98 funding requirement in future fiscal years.

The LAO notes that the 2024-25 State Budget contains reserve withdrawals from the Proposition 98 Rainy Day Fund to mitigate the funding reductions to schools in fiscal year 2023-24. Additionally, the LAO estimates cost savings because the Coronavirus Disease 2019 disease ("COVID-19") attendance policies preserving attendance numbers to pre-pandemic levels are being phased out. The LAO describes other minor savings for schools and community colleges from (1) deferring payments from fiscal year 2024-25 to fiscal year 2025-26, (2) reducing funding for the State Preschool program that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. The payment deferral involved deferring $487.0 million in payments from fiscal year 2024-25 to fiscal year 2025-26 by delaying a portion of payment to school districts from June 2025 to July 2025. The LAO notes that school districts may be exempt from this deferral if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in fiscal year 2024-25 to the minimum level required by Proposition 98.

The LAO indicates that after accounting for these actions, the State has $1.5 billion available to augment school and community college programs. The LAO highlights that the budget allocates $1.0 billion of this amount to cover a 1.07% cost-of-living adjustment for existing programs. For schools, the 2024-25 State Budget also provides an increase of $300.0 million to cover cost increases of universal school meals. For community colleges, the 2024-25 Budget also provides $75.0 million to cover increased costs.

The 2024-25 State Budget Analysis is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2025-26 State Budget. The Governor released the fiscal year 2025-26 proposed State budget (the "Proposed 2025-26 State Budget") on January 10, 2025, which reflects a stronger financial position than it has in recent years. The Proposed 2025-26 State Budget notes that although the budget framework from the 2024-25 State Budget represents significant progress on the budget shortfall from the past two years, the current fiscal outlook underscores the need for continued vigilance to strengthen budget resiliency and fiscal stability even further. Citing the State revenue volatility, which is in part due to its reliance on the top 1% of income earners and capital gains revenues, the Proposed 2025-26 State Budget is balanced and reflects a modest surplus of $363.0 million. The Proposed 2025-26 State Budget proposes reforms to the State's reserve funds requirements to double the size of the State's reserve cap from 10% to 20% and to clarify that deposits in the State Rainy Day Fund are not counted as expenditures toward the State's appropriations limit. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIB of the California Constitution." This proposed reform will require a statewide ballot initiative. The Proposed 2025-26 State Budget reflects support for vital initiatives in education, health care, housing, and homelessness, while enhancing economic development and supporting public safety.

The Proposed 2025-26 State Budget indicates that a stronger-than-anticipated performance by the economy, stock market, and cash receipts, combined with an improved economic outlook, have contributed toward an upgraded revenue forecast in the Proposed 2025-26 State Budget. The Proposed 2025-26 State Budget projects that State general fund revenues before accounting for transfers and tax policy proposals are to increase by approximately $16.5 billion from fiscal year 2023-24 through fiscal year 2025-26. Although the Proposed 2025-26 State Budget forecast does not reflect a recession, it does recognize volatility in personal income tax and capital gains realization and several other risk factors that could negatively affect the economy and State revenue, including stock market and asset price volatility affecting high-income earners as well as geopolitical instability. While the Proposed 2025-26 State Budget is balanced, it cautions against shortfalls in future years driven by expenditures exceeding revenues and recognizes that further action may be necessary to maintain a balanced budget. The Proposed 2025-26 State Budget notes that potential federal policy changes could also negatively impact the State's economy, specifically in the areas of international trade, immigration, and health care.

To provide for a balanced budget over two fiscal years, the 2024-25 State Budget assumed withdrawals from the State Rainy Day Fund of approximately $5.1 billion in fiscal year 2024-25 and $7.1 billion in fiscal year 2025-26, and the Proposed 2025-26 State Budget maintains such planned withdrawals. The Proposed 2025-26 State Budget maintains the planned withdrawal of approximately $7.1 billion from the State Rainy Day Fund. The Proposed 2025-26 State Budget predicts a total reserve balance of $17.0 billion at the end of fiscal year 2025-26. This includes $10.9 billion in the State Rainy Day Fund, $4.5 billion in SFEU, and $1.5 billion in the Proposition 98 Rainy Day Fund. To remove the cap on deposits to the State Rainy Day Fund and increase budget resiliency, the Proposed 2025-26 State Budget proposes statutory changes to allow the State to make larger deposits into reserve accounts during fiscal upturns, enhancing the State's ability to protect vital programs and services during future downturns. Specifically, the Proposed 2025-26 Budget suggests increasing the mandatory deposit level in the State Rainy Day Fund from the current 10% to 20% of State general fund revenues and exempt deposits into the State Rainy Day Fund from the State's appropriations limit. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIB of the California Constitution."

The Proposed 2025-26 State Budget estimates total resources available in fiscal year 2024-25 of approximately $258.4 billion, including revenues and transfers of approximately $222.5 billion and a prior year balance of approximately $35.9 billion, and total expenditures in fiscal year 2024-25 of approximately $232.1 billion. The Proposed 2025-26 State Budget projects total resources available for fiscal year 2025-26 of approximately $251.4 billion, inclusive of revenues and transfers of approximately $225.1 billion and a prior year balance of approximately $26.3 billion. The Proposed 2025-26 State Budget projects total expenditures in fiscal year 2025-26 of approximately $228.9 billion, inclusive of non-Proposition 98 expenditures of approximately $144.3 billion and Proposition 98 expenditures of approximately $84.6 billion. The Proposed 2025-26 State Budget includes approximately $34.9 billion in reserves in fiscal year 2025-26 and allocates reserves as follows: approximately $10.9 billion in the State Rainy Day Fund for fiscal emergencies, approximately $1.5 billion in the Proposition 98 Rainy Day Fund, approximately $18.0 billion in the Reserve for Liquidation and Encumbrances, and approximately $4.5 billion in the SFEU.

The Proposed 2025-26 State Budget includes total funding of approximately $137.1 billion for all TK-12 education programs, including approximately $83.3 billion from the State's general fund and approximately $53.8 billion from other funds. Per-pupil funding totals $18,918 per pupil in Proposition 98 funding and $24,764 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2025-26 State Budget include the following:

- California for All Kids. As part of the California for All Kids Plan, the Proposed 2025-26 State Budget fully implements universal transitional kindergarten and universal before, after, and summer school for TK-6 grade students. The Proposed 2025-26 State Budget contemplates other key achievements in fiscal year 2025-26, including: State schools will serve nearly 1 billion meals through the universal school meals program; all kindergarten through second grade students will be screened for risk of reading difficulties, grants to local educational agencies for the California Community Schools Partnership Program will be fully disbursed; all educators will have access to the Literacy Roadmap; and beginning January 1, 2025, all local educational agencies may apply to participate in the Children and Youth Behavioral Health Initiative Fee Schedule Program. The Proposed 2025-26 State Budget also protects core programs by providing increased ongoing funding for the LCFF, special education, and nutrition programs.

- Proposition 98 Minimum Guarantee. The revised estimates of general fund revenues in the Proposed 2025-26 State Budget result in notable adjustments to the Proposition 98 minimum guarantee, resulting in funding estimates of approximately $98.5 billion in fiscal year 2023-24, $119.2 billion in fiscal year 2024-25, and $118.9 billion in fiscal year 2025-26, representing a three-year increase in the minimum guarantee of approximately $7.5 billion over the level funded in the 2024-25 State Budget. Recognizing the inherent risk in revenue projections, the Proposed 2025-26 State Budget appropriates the Proposition 98 minimum guarantee at $117.6 billion, instead of the currently calculated level of $119.2 billion in fiscal year 2024-25. This is intended to mitigate the risk of potentially appropriating more resources to the Proposition 98 minimum guarantee than are ultimately available in the final calculation for fiscal year 2024-25. Unlike fiscal year 2023-24, where Proposition 98 minimum guarantee was in a Test 2 year, it is anticipated that the minimum guarantee will be in Test 1 for fiscal years 2024-25 and 2025-26, a funding level equal to approximately 40% of the State's general fund revenues. With the Proposition 98 minimum guarantee being "rebenched" to reflect the ongoing implementation of universal transitional kindergarten, Test 1 will increase the State general fund revenues due to the Proposition 98 minimum funding guarantee from 39.2% to 39.6%.

- Proposition 98 Rainy Day Fund. The 2024-25 State Budget projected a total balance of $1.1 billion in the Proposition 98 Rainy Day Fund. The Proposed 2025-26 State Budget reflects revised fiscal year 2024-25 payment of approximately $1.2 billion, a mandatory repayment that replaces the discretionary repayment, and an additional mandatory repayment of $376.0 million in fiscal year 2025-26, into the Proposition 98 Rainy Day Fund, for a revised balance of approximately $1.5 billion at the end of fiscal year 2025-26. The Proposed 2025-26 State Budget makes no change to the withdrawal of $8.4 billion in fiscal year 2023-24. Under current law, there is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the Proposition 98 Rainy Day Fund is equal to or greater than 3% of the total TK-12 share of the Proposition 98 minimum guarantee. The balance of $1.2 billion in the Proposition 98 Rainy Day Fund in fiscal year 2024-25 does not trigger school district reserve caps in fiscal year 2025-26. See "– School District Reserves" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751."

- Local Control Funding Formula. The Proposed 2025-26 State Budget includes a LCFF cost-of-living adjustment of approximately 2.43%. When combined with population growth adjustments, this will result in an increase of approximately $2.5 billion in discretionary funds for local educational agencies. Budgetary deferrals of $246.6 million for TK-12 education are fully repaid in fiscal year 2025-26. To fully fund the LCFF and maintain the level of past year principal apportionments, the Proposed 2025-26 State Budget proposes using available reappropriation and reversion funding totaling $25.9 million to support ongoing LCFF costs in fiscal year 2023-24 and deferring LCFF funding totaling $35.1 million from fiscal year 2023-24 to fiscal year 2024-25. This one-time deferral is fully repaid in fiscal year 2024-25.

- Universal Transitional Kindergarten. For fiscal year 2024-25, the Proposed 2025-26 State Budget provides a total of $1.5 billion of ongoing Proposition 98 general fund resources to support expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five years old between September 2 and April 2 to all children turning five between September 2 and June 2, and an additional $516.7 million Proposition 98 general fund resources to support the third year of adding one additional certificated or classified staff person to every transitional kindergarten class. For fiscal year 2025-26, the Proposed 2025-26 State Budget provides a total of $2.4 billion (inclusive of all prior years' investments), in ongoing Proposition 98 general fund resources to support the full implementation of universal transitional kindergarten. The Proposed 2025-26 State Budget also provides $1.5 billion ongoing Proposition 98 general fund resources to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every transitional kindergarten classroom.

- Before School, After School, and Summer School. The Proposed 2025-26 State Budget fully implements the Expanded Learning Opportunities Program, which is a multi-year investment plan to implement before, after, and summer school instruction and enrichment for students in grades TK-6, with a focus on local educational agencies with the highest concentration of low-income students, English learners, and youth in foster care. The Proposed 2025-26 State Budget increases the number of local educational agencies that offer universal access to students, from those with an unduplicated pupil percentage of 75% to those with 55% unduplicated students. The Proposed 2025-26 State Budget also includes $435.0 million in ongoing Proposition 98 general fund resources to cover implementation of this program, for a total program funding of $4.4 billion.

- Master Plan for Career Education. As part of the plan to make it easier for Californians to receive college credit both in high school and in recognition of their real-world experience and create more pathways to in-demand careers in the State, the Proposed 2025-26 State Budget proposes including dual enrollment and pathways programs as allowable expenditures for funds allocated through the $1.8 billion Student Support and Discretionary Block Grant and includes an increase of $3.0 million in ongoing Proposition 98 general fund resources to the California College Guidance Initiative and the Cradle-to-Career Data System. The Proposed 2025-26 State Budget also proposes to direct the Department of Education to examine feasibility of streamlining applications for TK-12 career technical education programs into a single consolidated application.

- Literacy Instruction. To support the State's research-based English Language Arts/English Language Development ("ELA/ELD") Framework, the Proposed 2025-26 State Budget allocates $500.0 million in one-time Proposition 98 general fund resources for TK-12 literacy and mathematics coaches; $40.0 million in one-time Proposition 98 general fund resources to support necessary costs, including purchasing screening materials and training for educators to administer literacy screenings; and $5.0 million in Proposition 98 general fund resources annually through fiscal year 2029-30 to launch a Literacy Network for state-developed literacy resources, elevate high performing districts and best practices, and provide support to select local educational agencies facing persistent performance challenges. The Proposed 2025-26 State Budget also directs the Instructional Quality Commission to initiate a follow-up adoption for ELA/ELD instruction materials, and provides $300,000 one-time non-Proposition 98 general fund resources in fiscal year 2024-25 for the Instructional Quality Commission to develop a curriculum guide and resources in personal finance, and $1.8 billion for the Student Support and Discretionary Block Grant which can fund professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap.

- Teacher Preparation and Professional Development. The Proposed 2025-26 State Budget includes proposals intended to support teachers and improve access to the educator pipeline, including $150.0 million in one-time Proposition 98 general fund resources to provide financial assistance for teacher candidates through the Teacher Recruitment Incentive Grant Program and an additional $100.0 million in one-time Proposition 98 general fund resources to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified Teachers to teach and mentor other staff in high poverty schools.

- Student Support and Professional Development Discretionary Block Grant. The Proposed 2025-26 State Budget includes $1.8 billion one-time in Proposition 98 general fund resources for a discretionary block grant to provide local educational agencies with additional fiscal support to address rising costs and fund statewide priorities, including: (1) professional development for teachers on the ELA/ELD Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners, (2) professional development for teachers on the Mathematics Framework, (3) teacher recruitment and retention strategies, and (4) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.

- School Facility Program. The Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024, approved by voters on November 5, 2024 ("Proposition 2 (2024)"), authorized a total of $8.5 billion in State general obligation bonds for K-12 schools to be allocated through the School Facility Program. These funds are allocated across several key areas: $4.0 billion for modernization projects, $3.3 billion for new construction, $600.0 million for charter schools, and $600.0 million for career technical education projects. Proposition 2 (2024) also supports the replacement of school buildings that are at least 75 years old, funding for school districts with specific needs, such as small districts and those located in military installations, programmatic changes for energy-efficient components in new construction and modernization projects, and construction or retrofit of transitional kindergarten classrooms. Proposition 2 (2024) also includes programmatic changes that emphasize health and safety components of school facilities and allows the State Allocation Board to provide assistance for purposes of procuring interim housing for school districts and county offices of education impacted by a natural disaster for which the Governor has declared state of emergency.

- Learning Recovery Emergency Block Grant. The Proposed 2025-26 State Budget includes $378.6 million in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant to support local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.

- Cost-of-Living Adjustments. The Proposed 2025-26 State Budget includes $204.0 million in ongoing Proposition 98 general fund resources to reflect a 2.43% cost-of-living adjustment for specified categorical programs and the LCFF Equity Multiplier. The specified categorical programs include Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- Kitchen Infrastructure and Training. The Proposed 2025-26 State Budget includes $150.0 million in one-time Proposition 98 general fund resources for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.

- Local Property Tax Adjustments. The Proposed 2025-26 State Budget includes an additional $125.0 million in ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2024-25, and a decrease of $1.5 billion in fiscal year 2025-26, as a result of increased offsetting property taxes.

- Nutrition. The Proposed 2025-26 State Budget includes $106.3 million in additional ongoing Proposition 98 general fund resources to fully fund the universal school meals program in fiscal year 2025-26.

- County Offices of Education. The Proposed 2025-26 State Budget includes $12.2 million in ongoing Proposition 98 general fund resources to reflect A.D.A. changes applicable to the county office of education LCFF, and a 2.43 % cost-of-living adjustment.

- English Language Proficiency Screener for Transitional Kindergarten Students. The Proposed 2025-26 State Budget includes $10.0 million in one-time Proposition 98 general fund resources for the statewide use of English language proficiency screeners to support multilingual learnings in transitional kindergarten.

The complete Proposed 2025-26 State Budget is available from the California Department of Finance website at **www.dof.ca.gov** or **www.ebudget.ca.gov**. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Analysis of the Proposed 2025-26 State Budget. The LAO released its report on the Proposed 2025-26 State Budget entitled "The 2025-26 Budget: Overview of the Governor's Budget" on January 13, 2025 (the "LAO Analysis of the Proposed 2025-26 State Budget"). In the LAO Analysis of the Proposed 2025-26 State Budget, the LAO assesses the budget condition and analyzes the major proposals for K-12 education.

The LAO estimates that the underlying condition of the Proposed 2025-26 State Budget is roughly balanced. The LAO notes that one of the main reasons for the balanced budget is the State Legislature's atypical action taken last year to address the deficit and withdraw more in reserves as well as proactive decisions to address the anticipated budget deficit for fiscal year 2025-26. The 2024-25 State Budget committed a total of $28.0 billion in budgeting maneuvers for fiscal year 2025-26, which included, $12.0 billion in spending-related reductions and approximately $16.0 billion in all other reductions. The LAO notes that the Proposed 2025-26 State Budget does not propose any significant policy changes to the already-adopted 2024-25 State Budget, but some of the assumed savings are now lower, totaling $24.0 billion for fiscal year 2025-26. Two key areas where these savings have eroded are in the managed care organization tax package and reductions to State operations. The LAO notes that their estimates are slightly different than the Proposed 2025-26 State Budget estimates, but the differences are small enough on net that they do not substantively change the assessment of the budget condition. Specifically, the Proposed 2025-26 State Budget estimates the revenues to be $9.0 billion higher, but this is partially offset by the Proposed 2025-26 State Budget's estimate of constitutionally required State general fund spending on K-14 education, which is $4.7 billion higher than the LAO's November 2024 estimates. The Proposed 2025-26 State Budget estimates of baseline spending (for example, for caseload growth, federal reimbursements, and statutory cost increases) are lower than LAO estimates by $600.0 million. The LAO cautions that neither LAO's November 2024 estimates nor the Proposed 2025-26 State Budget included any costs associated with the devastating wildfires in Southern California, as both were developed before those wildfires began. While the LAO anticipates some State costs as well as State policy responses to the disaster, sufficient information is not available about the extent of those costs. Both the Proposed 2025-26 State Budget and the LAO anticipate deficits in future years.

The LAO notes that the Proposed 2025-26 State Budget includes three categories of discretionary proposals that are not already committed to under current law or policy. First, some proposals provide short-term budget savings that create more budget capacity. These proposals generate a total of $2.2 billion in State general fund savings within the budget window. The Proposed 2025-26 State Budget proposes providing $1.6 billion less in total funding for schools and community colleges than the estimated Proposition 98 minimum guarantee for fiscal year 2024-25. This provides one-time State general fund savings in fiscal year 2024-25, but also creates a "settle-up" obligation, which will need to be paid in a future year if revenues for fiscal year 2024-25 were to remain unchanged. If revenues for fiscal year 2024-25 come in below current projections, this obligation would also decline, potentially to zero. Second, the Proposed 2025-26 State Budget includes new discretionary proposals that use budget capacity by increasing spending or reducing revenues, totaling approximately $700.0 million. The major proposals in this category include increasing revenues by approximately $300.0 million by changing rules for determination of taxable profits for financial institutions, shifting approximately $300.0 million in State general fund spending on water recycling, wildfire prevention activities at State parks, and dam safety activities to funding from Proposition 4, the climate bond approved by voters on November 5, 2024, and approximately $570.0 million in new discretionary State general fund spending in fiscal year 2025-26. Finally, the Proposed 2025-26 State Budget sets the balance of the SFEU to $4.5 billion, which is higher than recent budgets that set the SFEU balance between $3.5 billion and $4.0 billion.

The LAO notes that compared to the estimates in the 2024-25 State Budget, the Proposed 2025-26 State Budget estimates the Proposition 98 minimum guarantee for school and community colleges is up by approximately $7.1 billion ($3.9 billion of which is attributable to fiscal year 2024-25 and $3.2 billion is attributable to fiscal year 2025-26). The LAO notes that this increase is due almost entirely to higher State general fund revenue estimates. In addition, approximately $4.0 billion in one-time spending expires in fiscal year 2025-26, freeing-up the underlying funding for other school and community college purposes. The Proposed 2025-26 State Budget would make mandatory deposits into the Proposition 98 Rainy Day Fund of approximately $1.2 billion in fiscal year 2024-25 and $376.0 million in fiscal year 2025-26, which would bring the total balance in the Proposition 98 Rainy Day Fund to $1.5 billion. The mandatory deposit in the fiscal year 2024-25 replaces the $1.1 billion discretionary deposit included in the 2024-25 State Budget.

The LAO notes that the Proposed 2025-26 State Budget provides approximately $2.5 billion to fund a 2.43% statutory cost-of-living adjustment for existing school and community college programs. Consistent with previous budgets, the Proposed 2025-26 State Budget sets aside $1.1 billion to complete the expansion of transitional kindergarten in fiscal year 2025-26. The Proposed 2025-26 State Budget also provides $746.0 million funding to reduce the student-to-adult ratios in transitional kindergarten classrooms from 12:1 to 10:1, and $435.0 million for the Expand Leaning Opportunities Program, primarily to increase the number of school districts that must offer enrichment programs (such as after school activities and summer school) to all students. The LAO notes that the largest one-time proposal is to provide $1.8 billion for schools through a new discretionary block grant that could be used to fund new activities or cover costs of existing programs. The Proposed 2025-26 State Budget also includes $500.0 million to fund literacy and mathematics coaches at high poverty schools, expanding upon a program the state funded in previous budgets. The LAO notes that the Proposed 2025-26 State Budget includes a series of initiatives intended to advance teacher training and recruitment efforts at schools.

The LAO finds the Proposed 2025-26 State Budget estimates of revenues and use of reserves reasonable, but expressed concern that recent gains are on shaky ground. The LAO notes that the tax collection gains are not tied to improvements in the State's broader economy, which has been lackluster, with elevated unemployment, a stagnant job market outside of government and healthcare, and sluggish consumer spending. Agreeing with the narrative in the Proposed 2025-26 State Budget, LAO notes that the revenue gains appear largely tied to the booming stock market, a situation which can change rapidly and without warning. This is further complicated by the recent wildfires in Southern California which may result in tax deadline delay and make it difficult to read tax collection trends. The LAO also emphasizes that the State costs from these fires will depend on the continually evolving situation, as well as decisions by the State Legislature and federal government, including those related to cost sharing for response, clean up, recovery, and other possible assistance. The LAO notes that the $7.0 billion withdrawal from the State Rainy Day Fund in fiscal year 2025-26 is reasonable. A cumulative total of $82.0 billion in budget deficit has been addressed, but even including the fiscal year 2025-26 withdrawal, only half of the State Rainy Day Fund has been withdrawn. The LAO recommends that State Legislature maintain last year's momentum by developing a plan for addressing potential budget problems on the horizon, as the underlying budget dynamics are particularly challenging. The LAO recommends that the State Legislature analyze which programs are working well and have grown considerably in recent years and understand the efficacy of those expansions and which programs are in need of adjustments or are no longer achieving desired outcomes within the next couple of months so that difficult choices can be made in May 2025. The LAO supports the changes proposed by the Proposed 2025-26 State Budget to increase the cap on State Rainy Day Fund required deposits and to exclude the State's reserve deposits from the State appropriations limit but suggests additional changes to increase how much is saved each year.

The LAO Analysis of the Proposed 2025-26 State Budget is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2025-26 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2025-26 State Budget. In May 2025, the Governor will revise the Proposed 2025-26 State Budget based on updated information available at such time. Such revision in May 2025 may also differ substantially from the Proposed 2025-26 State Budget. The final fiscal year 2025-26 State budget may be affected by national and State economic conditions and other factors which the District cannot predict. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2025-26 State budget from the Proposed 2025-26 State Budget. The District cannot predict the impact that the final fiscal year 2025-26 State budget, or subsequent budgets, will have on its finances and operations.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during the current fiscal year and in future fiscal years. Certain factors could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series 2025 Bonds are payable from *ad valorem* property taxes, the Proposed 2025-26 State Budget and the final fiscal year 2025-26 State budget are not expected to have a material impact on the payment of the Series 2025 Bonds.

School District Reserves. The State's economic and revenue outlook has changed. Although the 2024-25 State Budget provides for a discretionary payment of approximately $1.1 billion to the Proposition 98 Rainy Day Fund in fiscal year 2024-25, the 2024-25 State Budget also provides for a withdrawal of the entire $8.4 billion balance in the Proposition 98 Rainy Day Fund in fiscal year 2023-24, leaving a projected balance of $1.1 billion at the end of fiscal year 2024-25. See "*–2024-25 State Budget*." School districts may need to access their local reserves in light of operational needs that may exceed expected funding under LCFF in a given fiscal year. The District, which has an average daily attendance ("A.D.A.") of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. At the time of preparation of the Fiscal Year 2024-25 Second Interim Report, the District projects it will meet the 3% statutory reserve requirement in fiscal years 2024-25 through 2026-27.

Payments allocated to the Proposition 98 Rainy Day Fund under the fiscal year 2021-22 State budget and the fiscal year 2022-23 State budget triggered a reserve cap for school districts in fiscal years 2022-23 and 2023-24, respectively. Such reserve cap is triggered when the amount of money in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total State general fund revenues appropriated for school districts Statewide. Given 2024-25 State Budget provisions relating to the Proposition 98 Rainy Day Fund (see "*–2024-25 State Budget*"), school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26. See "*–2024-25 State Budget*." In accordance with Section 42127.01(a) of the California Education Code, when the reserve cap is triggered, a school district's assigned and unassigned ending fund balance cannot exceed 10% of such school district's general fund balance. Pursuant to Section 42127.01(c) of the California Education Code, community funded districts and small school districts with fewer than 2,501 units of A.D.A. are exempt from the reserve cap. Since the District is neither a community funded district nor a small school district with fewer than 2,501 units of A.D.A., the District is subject to the reserve cap when applicable. For more information on the reserve cap legislation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*."

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the California Constitution, which voters of the State approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

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

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

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

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

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2024-25, the LCFF provided to school districts and charter schools: (a) a Base Grant for each LEA equivalent to $11,068 per A.D.A. for kindergarten through grade 3 (including grade span adjustment); (b) a Base Grant for each LEA equivalent to $10,177 per A.D.A. for grades 4 through 6; (c) a Base Grant for each LEA equivalent to $10,478 per A.D.A. for grades 7 and 8; (d) a Base Grant for each LEA equivalent to $12,460 per A.D.A. for grades 9 through 12 (including grade span adjustment). However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. The Base Grant amount for fiscal year 2024-25 includes a cost-of-living adjustment of 1.07%.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 65% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

- Starting with the 2023-24 fiscal year, an additional equity multiplier (the "Equity Multiplier") was added as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps for LEAs who qualify by having both (1) a prior year nonstability rate of greater than 25% (which refers to the percentage of students who do not complete the year due to factors like expulsion) and (2) a prior year socioeconomically disadvantaged pupil rates of greater than 70% (which includes students with parents that do not have high school diplomas, students from low-income families, homeless youth, and foster youth). Every year, the state will allocate $300 million to the qualifying LEAs on a per-unit basis based on the LEA's prior year adjusted cumulative enrollment, but each qualifying school will receive at least $50 thousand. The Equity Multiplier revenue must be used for evidence-based services and support for pupils.

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

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

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

Risks Affecting District Revenue. As discussed above, many school districts in the State are funded based on the LCFF, which allocates a Base Grant per unit of A.D.A. with additional supplemental funding in the form of Supplemental Grants and Concentration Grants based on certain factors. See "*–Allocation of State Funding to School Districts; Local Control Funding Formula*." Thus, a temporary shutdown of a school or an entire school district or other event resulting in reduced enrollment or attendance would reduce the A.D.A. of a school district and could impact the funding a school district receives. For example, events like the outbreak of a highly contagious disease or epidemic disease could harm a school district's financial results or result in a temporary shutdown of the school district's facilities. Such an event could also have impacts on the State's tax and other revenue receipts which may, in turn, impact educational funding that school districts receive from the State. See "*– Future Budgets and Budgetary Actions*." The outbreak of the respiratory disease caused by COVID-19 was declared a pandemic by the World Health Organization, a national emergency by then President Trump and a state of emergency by the Governor. While State and federal one-time COVID-19 relief funding provided some immediate relief to school districts, including the District, during the COVID-19 pandemic, the District cannot predict whether similar legislation providing State and federal one-time relief funding would be enacted in the future in the event the outbreak of COVID-19 were to increase in intensity or a similar or other outbreak of a highly contagious disease or epidemic disease or other event resulting in reduced enrollment or attendance were to occur in the future.

Enrollment, A.D.A. and LCFF. The following table sets forth the District's actual A.D.A., funded A.D.A., the basis for such funded A.D.A. (the current fiscal year A.D.A., the prior fiscal year A.D.A., or the average of three prior years' A.D.A.), enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and Base Grant (or targeted Base Grant, as applicable) per unit of A.D.A. for fiscal years 2020-21 through 2023-24, and the District's budgeted A.D.A., funded A.D.A., the basis for such funded A.D.A., enrollment (including the percentage of EL/LI Students), and Base Grant per unit of A.D.A. for fiscal year 2024-25 at the time of preparation of the Fiscal Year 2024-25 Second Interim Report. The A.D.A. and enrollment numbers below include TK students and certain special education students enrolled directly with the District, but exclude certain special education students enrolled in programs operated by the San Bernardino County Office of Education.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Average Daily Attendance, Enrollment and Base Grant
Fiscal Years 2020-21 through 2024-25

		A.D.A./Base Grant						Enrollment[10]	
Fiscal Year		TK-3	4-6	7-8	9-12	Total A.D.A	Funding Basis	Total Enrollment	Unduplicated % of EL/LI Students
2020-21	Actual A.D.A.[1][3]:	2,754.26	1,870.12	1,187.27	2,108.17	7,919.82	--	8,005	73.19%
	Funded A.D.A.[1][3]:	2,754.26	1,870.26	1,187.27	2,108.17	7,919.82	Current Year	--	--
	Base Grant[2][4]:	$8,503	$7,818	$8,050	$9,572	--	--	--	--
2021-22	Actual A.D.A.[1]:	2,404.57	1,652.86	1,068.24	1,953.65	7,079.32	--	7,580	73.25%
	Funded A.D.A.[1]:	2,754.26	1,870.12	1,187.27	2,108.17	7,919.82	Prior Year	--	--
	Base Grant[2][5]:	$8,935	$8,215	$8,458	$10,057	--	--	--	--
2022-23	Actual A.D.A.[1]:	2,299.99	1,584.62	959.57	1,858.17	6,702.35	--	7,408	74.38%
	Funded A.D.A.[1]:	2,637.70	1,797.70	1,147.59	2,056.66	7,639.65	3 Year Avg.	--	--
	Base Grant[2][6]:	$10,119	$9,304	$9,580	$11,391	--	--	--	--
2023-24	Actual A.D.A.[1]:	2,285.70	1,561.73	954.32	1,835.98	6,637.73	--	7,359	73.25%
	Funded A.D.A.[1]:	2,486.27	1,702.53	1,071.69	1,973.33	7,233.82	3 Year Avg.	--	--
	Base Grant[2][7]:	$10,951	$10,069	$10,367	$12,327	--	--	--	--
2024-25	Actual A.D.A.[8]:	2,255.43	1,571.25	963.93	1,787.19	6,577.80	--	7,255	73.74%
	Funded A.D.A.[8]:	2,330.09	1,599.74	994.04	1,882.60	6,806.47	3 Year Avg.	--	--
	Base Grant[2][9]:	$11,068	$10,177	$10,478	$12,460	--	--	--	--

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.
(2) Such amounts include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF.
(3) Attendance reporting not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision, providing that A.D.A. for fiscal year 2020-21 was based on A.D.A. for fiscal year 2019-20 (for the condensed reporting period), as discussed in more detail above.
(4) Fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from fiscal year 2019-20 Base Grant amounts.
(5) Fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a 1% discretionary increase in Base Grant funding.
(6) Fiscal year 2022-23 Base Grant amount reflects an approximately 13.26% adjustment from fiscal year 2021-22 Base Grant amounts, which includes a 6.56% cost-of-living adjustment and a 6.70% discretionary increase in Base Grant funding.
(7) Fiscal year 2023-24 Base Grant amount included in the Fiscal Year 2023-24 Budget assumes a 8.22% cost-of-living adjustment from Fiscal Year 2022-23 Base Grant amounts.
(8) Reflects budgeted A.D.A., funded A.D.A., enrollment and percentage of unduplicated EL/LI Students as of the Fiscal Year 2024-25 Second Interim Report.
(9) Fiscal year 2024-25 Base Grant amount reflects a 1.07% cost-of-living adjustment from fiscal year 2023-24 Base Grant amounts based on the 2024-25 State Budget. The District Fiscal Year 2024-25 Budget assumed an approximately 1.07% cost-of-living adjustment from Fiscal Year 2023-24 Base Grant amounts.
(10) Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district's funded percentage of unduplicated EL/LI Students is based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Morongo Unified School District.

The District received approximately $99.98 million in aggregate revenues reported under LCFF sources in fiscal year 2023-24 (or approximately 65.72% of its general fund revenues in fiscal year 2023-24). Such amount includes Supplemental Grants and Concentration Grants for targeted groups of approximately $11.69 million and $9.47 million, respectively, in fiscal year 2023-24. As of the Fiscal Year 2024-25 Second Interim Report, the District expects to receive approximately $99.09 million in aggregate revenues reported under LCFF sources in fiscal year 2024-25 (or approximately 69.18% of its general fund revenues in fiscal year 2024-25). Such amount includes Supplemental Grants and Concentration Grants for targeted groups expected at approximately $11.20 million and $9.25 million, respectively, in fiscal year 2024-25.

The District is expected to receive revenue from the Equity Multiplier because the District has three sites eligible for Equity Multiplier funding. The eligible LEAs have a Total Prior Year Adjusted Cumulative Enrollment Eligible for LCFF Equity Multiplier Funding of 1,211. The Equity Multiplier Rate for fiscal year 2023-24 was $1,052.61, which is based on the $300 million of state funds allocated to the Equity Multiplier split between all qualifying LEAs based on the LEA's prior year adjusted cumulative enrollment. The amount of revenue from the Equity Multiplier for fiscal year 2023-24 was $1,274,711 (the Equity Multiplier Rate multiplied by the Total Prior Year Adjusted Cumulative Enrollment Eligible for LCFF Equity Multiplier Funding for the eligible school sites).

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

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

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

Local Property Tax Revenues

General. The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. The District's share of the local 1% property tax is separate from and in addition to the *ad valorem* property tax pledged to the repayment of all general obligation bonds of the District, including the Series 2025 Bonds. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as a LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*" for more information about the LCFF.

Local property tax revenues accounted for approximately 9.48% of the District's aggregate general fund revenues reported under LCFF sources in fiscal year 2023-24 at approximately $9.48 million, or 6.23% of total general fund revenues in fiscal year 2023-24. Based on the Fiscal Year 2024-25 Second Interim Report, local property tax revenues are projected to account for approximately 13.49% of the District's aggregate revenues reported under LCFF sources in fiscal year 2024-25 and are projected to be approximately $13.37 million, or 9.33% of total general fund revenues in fiscal year 2024-25.

For information about the property taxation system in the State and the District's property tax base, see "– Property Taxation System," "– Assessed Valuation of Property Within the District," and "– Tax Charges and Delinquencies" under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2025 BONDS" in the front portion of the Official Statement.

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

Effect of Changes in Enrollment. Changes in local property tax revenue and A.D.A. affect LCFF districts and community funded districts differently. In a LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In a community funded district, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF district, but since all LCFF funding (and more) is already generated by local property taxes, there is no increase in State funding, other than the $120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax revenue is stretched further. Declining enrollment does not reduce property tax revenue, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, were approximately 15.04% (or approximately $22.88 million) of the District's general fund revenues for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Second Interim Report, the District projects that federal revenues, most of which are restricted, will comprise approximately 8.34% (or approximately $11.94 million) of the District's general fund projected revenues for fiscal year 2024-25. Federal revenues are projected to be lower in fiscal year 2024-25 due to the expiration of federal funding related to the COVID-19 pandemic, which was available through September 30, 2024.

On January 27, 2025, the Acting Director of the Office of Management and Budget issued a memorandum (the "OMB Memo") directing federal agencies, to the extent permissible under applicable law, to temporarily pause all activities related to obligation or disbursement of federal financial assistance (including federal grants, loans and other financial assistance, but specifically excluding aid to individuals and Social Security and Medicare benefits) beginning at 5:00 p.m. on January 28, 2025, creating uncertainty regarding the District's ongoing receipt of federal funding. The following day, the U.S. Department of Education confirmed that the order only applied to discretionary grants at the U.S. Department of Education and did not impact funding under Title I of the Elementary and Secondary Education Act, the Individuals with Disabilities Education Act (IDEA), or other formula grants. Prior to the OMB Memo taking effect on January 28, 2025, a federal judge temporarily blocked the order. Subsequently, on January 29, 2025, the Office of Management and Budget rescinded the OMB Memo, but indicated the rescission would not end its review of spending and was aimed at ending litigation and confusion. Then, on January 31, 2025, a federal judge issued a temporary restraining order that says the Trump Administration cannot pause, freeze, imped, block, cancel, or terminate federal financial-assistance obligations to the states. The District is unable to predict whether the Trump Administration's review of spending may eventually impact its receipt of federal funding or whether any such impact will have a material effect on the finances or operations of the District.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the LCFF, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues were approximately 16.52% (or approximately $25.13 million) of the District's general fund revenues for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Second Interim Report, the District projects that other State revenues will comprise approximately 18.72% (or approximately $26.82 million) of the District's general fund projected revenues for fiscal year 2024-25.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District received approximately $2.26 million in State lottery revenue for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Second Interim Report, the District projects to receive approximately $2.37 million in State lottery revenue for fiscal year 2024-25.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations, and sales of property. Other local revenues were approximately 2.72% (or approximately $4.14 million) of the District's general fund revenues for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Second Interim Report, the District projects that other local revenues will comprise approximately 3.77% (or approximately $5.40 million) of the District's general fund projected revenues for fiscal year 2024-25.

Charter Schools

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

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

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

Significant Accounting Policies and Audited Financial Statements

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are required to be accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2024, which are included as Appendix B to the Official Statement.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller's Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. However, in response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill) provided that a school district's audited financial statements for fiscal year 2019-20 were not due until March 31, 2021. Accordingly, the District filed its audited financial statements for fiscal year 2019-20 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Bernardino County Superintendent of Schools by March 31, 2021. Pursuant to Assembly Bill 130 (Chapter 44, enacted on July 9, 2021), the deadline for school districts to file their audited financial statements for fiscal year 2020-21 was extended to January 31, 2022. Accordingly, the District filed its audited financial statements for fiscal year 2020-21 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Bernardino County Superintendent of Schools by January 31, 2022. The deadline for school districts to file their audited financial statements for fiscal years 2021-22, 2022-23 and 2023-24 were not extended.

The following tables contain data extracted from general fund financial statements prepared by the District's independent auditor, Nigro & Nigro, A Professional Accountancy Corporation, Murrieta, California ("Nigro"), for fiscal years 2019-20 through 2023-24. Nigro has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The following tables are only a summary of the general fund financial statements of the District for the fiscal years shown. The District's audited financial statements for the fiscal year ended June

30, 2024 are described throughout this Appendix A and are included as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this Official Statement.

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The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2019-20 through 2023-24.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2019-20 through 2023-24[(1)]

	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals	Fiscal Year 2022-23 Audited Actuals	Fiscal Year 2023-24 Audited Actuals
Revenues					
LCFF sources	$86,589,319	$86,289,599	$92,570,939	$101,857,415	$103,980,965
Federal sources	7,509,131	16,319,240	15,876,601	23,281,928	21,253,405
Other state sources	14,913,665	18,002,997	21,843,264	37,219,812	24,977,289
Other local sources	2,177,428	3,702,534	358,862	2,917,411	8,130,249
Total Revenues	111,189,543	124,314,370	130,649,666	165,276,566	158,341,908
Expenditures					
Current:					
Instructional services:					
Instruction	62,012,920	68,693,372	66,653,192	65,636,622	75,392,299
Instruction-related services:					
Supervision of instruction	3,631,787	3,138,799	3,233,062	5,782,101	5,233,205
Instructional library, media and technology	862,043	763,608	670,376	837,470	1,284,666
School site administration	7,987,410	7,396,722	8,445,031	9,470,555	9,554,151
Pupil support services:					
Home-to-school transportation	4,776,840	4,019,730	4,741,381	5,062,713	5,542,009
Food services	54,890	1,489	270,718	(243,699)	115,453
All other pupil services	6,734,327	7,011,331	8,276,614	9,278,737	8,975,608
Ancillary services	611,290	523,451	578,133	794,050	682,977
Community services	260,084	205,843	116,366	158,846	228,862
General administration services:					
Data processing services	1,497,341	4,205,176	2,048,457	2,796,514	9,514,561
Other general administration	4,980,121	4,706,015	5,331,748	6,514,172	7,025,647
Plant services	11,574,350	11,854,294	12,326,534	14,151,311	16,071,721
Transfers of indirect costs	(134,729)	(129,098)	(163,091)	(177,940)	(211,107)
Capital outlay	695,795	285,599	1,165,197	11,537,457	8,665,267
Intergovernmental transfers	16,437	18,509	20,810	-	-
Debt service:					
Principal	237,850	230,039	458,099	464,115	235,824
Interest	19,708	18,305	2,367	3,520	13,685
Total Expenditures	105,818,464	112,943,184	114,174,994	132,066,544	148,324,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,371,079	11,371,186	16,474,672	33,210,022	10,017,080
Other Financing Sources (Uses)					
Interfund transfers in	-	-	-	-	-
Interfund Transfers out[(2)]	-	-	(500,000)	(176,270)	(1,433,562)
Issuance of dept – capital lease	-	952,231	-	-	-
Proceeds from SBITAs	-	-	-	-	223,944
Total Other Financing Sources (Uses)	-	952,231	(500,000)	(176,270)	(1,209,618)
Net Change in Fund Balance	5,371,079	12,323,417	15,974,672	33,033,752	8,807,462
Fund Balances – July 1	26,678,696	32,049,775	44,373,192	60,347,864	93,381,616
Fund Balance – June 30[(3)]	$32,049,775	$44,373,192	$60,347,864	$93,381,616	$102,189,078

[(1)] For financial accounting purposes, the District's audited financial statements include the financial activity of the District's deferred maintenance fund with the District's general fund.
[(2)] Redevelopment agency funds received in the general fund were moved to the District's capital facilities fund (Fund 25).
[(3)] The District is projecting unrestricted general fund deficit spending in fiscal years 2024-25 through 2026-27 and restricted general fund deficit spending in fiscal year 2024-25. See "– District Budget Process and County Review" below.
Source: Morongo Unified School District Audited Financial Statements for fiscal years 2019-20 through 2023-24.

The following table sets forth the general fund balance sheet of the District for fiscal years 2019-20 through 2023-24.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2019-20 through 2023-24

	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals	Fiscal Year 2022-23 Audited Actuals	Fiscal Year 2023-24 Audited Actuals
ASSETS					
Deposits and investments	$23,252,480	$39,442,429	$69,040,168	$102,135,618	$102,727,343
Accounts receivable	16,797,519	21,523,044	11,655,048	9,301,600	9,514,851
Due from other funds	1,046,504	520,852	313,446	375,736	808,824
Inventories	35,224	71,609	49,876	59,218	37,475
Prepaid expenditures	1,536,435	42,840	179,496	185,632	285,059
Total Assets	$42,668,162	$61,600,774	$81,238,034	$112,057,804	$113,373,552
LIABILITIES AND FUND BALANCES:					
Liabilities					
Accounts payable	$10,079,373	$15,388,456	$18,765,400	$13,720,255	$10,376,359
Unearned revenues	539,014	1,839,126	2,124,770	4,955,933	808,115
Total Liabilities	10,618,387	17,227,582	20,890,170	18,676,188	11,184,474
Fund Balances					
Nonspendable	1,606,659	149,449	264,372	279,850	357,534
Restricted	3,836,894	7,097,878	12,278,282	32,259,119	36,422,984
Committed	-	-	31,581,506	43,027,425	40,325,279
Assigned	23,625,276	33,785,602	12,823,572	13,565,668	18,045,102
Unassigned	2,980,946	3,340,263	3,400,132	4,249,554	7,038,179
Total Fund Balance	32,049,775	44,373,192	60,347,864	93,381,616	102,189,078
Total Liabilities and Fund Balances	$42,668,162	$61,600,774	$81,238,034	$112,057,804	$113,373,552

Source: Morongo Unified School District Audited Financial Statements for fiscal years 2019-20 through 2023-24.

District Budget Process and County Review

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

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

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

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

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

Interim Reporting. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the California Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then-current projections, may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

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

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

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

District's Fiscal Year 2023-24 Unaudited Actuals. The Fiscal Year 2023-24 Unaudited Actuals, which were approved by the Board of Education on September 10, 2024, are included in the table that follows. The Fiscal Year 2023-24 Unaudited Actuals reflect the District's actual financial results for fiscal year 2023-24.

District's Fiscal Year 2024-25 Budget and Fiscal Year 2024-25 Second Interim Report. The District's original adopted general fund budget for fiscal year 2024-25 (the "Fiscal Year 2024-25 Budget"), which was adopted by the Board of Education on June 25, 2024, is included in the table that follows. The Fiscal Year 2024-25 Budget generally reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2024-25 State budget. Subsequently, the 2024-25 State Budget was enacted. After analyzing the 2024-25 State Budget, it was not necessary for the District to adopt an amended budget. However, certain adjustments related to the 2024-25 State Budget were incorporated into the District's first interim report for fiscal year 2024-25 and such funding adjustments remain largely unchanged as of the Fiscal Year 2024-25 Second Interim Report. The changes from the Fiscal Year 2024-25 Budget to the Fiscal Year 2024-25 Second Interim Report that are shown in the table that follows are primarily due to the funding adjustments resulting from the 2024-25 State Budget described above that were incorporated in the first interim report for fiscal year 2024-25 and additional actual financial data available at the time of preparation of the Fiscal Year 2024-25 Second Interim Report.

The Fiscal Year 2024-25 Budget does not contain historical facts but consists of forecasts and "forward-looking statements" at the time of preparation thereof. The achievement of certain results or other expectations contained in the Fiscal Year 2024-25 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2024-25 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements. The Fiscal Year 2024-25 Budget may be revised throughout fiscal year 2024-25 as additional information becomes available.

The District revises its projections of revenues, expenditures, and ending fund balances contained in the Fiscal Year 2024-25 Budget as more financial data becomes available throughout the fiscal year. Accordingly, the Fiscal Year 2024-25 Second Interim Report reflects actual financial data for the period ending January 31, 2025, and projections for the remainder of fiscal year 2024-25 based on such data. The Fiscal Year 2024-25 Second Interim Report, which was approved by the Board of Education on March 11, 2025, is also included in the table that follows and described throughout this Appendix A. The Fiscal Year 2024-25 Second Interim Report demonstrates projected deficit spending in both unrestricted and restricted accounts in future years. The District is projecting unrestricted general fund deficit spending in fiscal years 2024-25 through 2026-27 and restricted general fund deficit spending in fiscal year 2024-25. Projected deficit spending in fiscal year 2024-25 is primarily due to one-time non-reoccurring project costs such as the district-wide access control project, classroom furniture replacement, five percent one-time off salary schedule bonuses and other capital projects. Deficit spending for fiscal years 2025-26 and 2026-27 is primarily due to the State's curriculum adoption and resulting two major textbook adoptions. Other deficit spending will be addressed through employee attrition. Unrestricted deficit spending must be curbed to maintain the statutory reserve requirement of 3%.

The achievement of certain results or other expectations contained in the Fiscal Year 2024-25 Second Interim Report involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2024-25 Second Interim Report are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The table on the following page sets forth the District's original adopted general fund budgets for fiscal years 2021-22 through 2024-25, unaudited actuals for fiscal years 2021-22 through 2023-24, and the Fiscal Year 2024-25 Second Interim Report.

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MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Fund Budgets for Fiscal Years 2021-22 through 2024-25,
Unaudited Actuals for Fiscal Years 2021-22 through 2023-24
and Second Interim Report for Fiscal Year 2024-25[1]

	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Unaudited Actuals	2023-24 Original Budget	2023-24 Unaudited Actuals	2024-25 Original Budget	2024-25 Second Interim Report[2]
REVENUES								
LCFF Sources	$90,709,254.00	$88,570,939.17	$94,335,231.00	$99,857,414.73	$103,359,438.00	$99,980,965.00	$98,246,818.00	$99,087,316.00
Federal Revenue	19,967,154.00	16,120,695.75	30,087,641.00	23,790,526.98	25,313,570.63	22,875,841.06	9,060,194.81	11,940,916.91
Other State Revenue	19,493,323.00	21,844,009.22	21,618,389.00	37,219,812.01	23,049,813.00	25,127,288.51	26,450,440.15	26,816,049.00
Other Local Revenue	1,154,900.00	199,519.63	1,157,949.00	2,378,080.59	1,371,635.96	4,143,298.53	3,797,075.00	5,397,012.33
Total Revenues	131,324,631.00	126,735,163.77	147,199,210.00	163,245,834.31	153,094,457.59	152,127,393.10	137,554,527.96	143,241,294.24
EXPENDITURES								
Certificated Salaries	48,270,841.00	48,252,878.49	55,865,482.00	49,657,964.74	58,811,951.45	53,645,077.89	55,995,609.00	57,748,337.87
Classified Salaries	17,299,137.00	16,036,522.44	21,939,163.00	17,922,247.15	24,394,504.78	21,822,985.07	24,741,154.00	25,816,032.76
Employee Benefits	29,414,042.71	29,212,577.51	33,955,637.00	30,707,211.10	38,689,438.91	32,699,790.21	35,690,237.00	35,561,713.85
Books and Supplies	7,840,507.53	4,099,377.79	5,774,388.00	5,326,366.80	7,790,227.05	12,930,068.73	8,878,357.26	11,802,924.55
Services, Other Operating Expenses	18,230,635.50	14,717,611.51	24,101,141.00	16,152,398.07	17,677,777.00	16,924,728.61	19,038,343.98	23,242,775.04
Capital Outlay	6,760,909.86	673,905.44	4,350,802.00	10,153,080.96	4,821,993.00	9,804,117.09	1,917,720.00	6,023,131.33
Other Outgo (excluding Direct Support/Indirect Costs)	26,890.00	32,759.87	26,890.00	11,950.00	35,403.00	11,950.00	35,403.00	35,403.00
Transfers of Direct Support/Indirect Costs	(160,491.00)	(163,091.34)	(172,272.00)	(177,939.61)	(175,000.00)	(211,107.00)	(175,000.00)	(175,000.00)
Total Expenditures	127,682,472.60	112,862,541.71	145,841,231.00	129,753,279.21	152,046,295.19	147,627,610.60	146,121,824.24	160,055,318.40
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES[3]	3,642,158.40	13,872,622.06	1,357,979.00	33,492,555.10	1,048,162.40	4,499,782.50	(8,567,296.28)	(16,814,024.16)
OTHER FINANCING SOURCES (USES)								
Inter-fund Transfers In	-	-	-	-	-	-	-	-
Inter-fund Transfers Out[4]	-	(500,000.00)	-	(176,269.92)	-	(1,433,562.49)	-	-
Other Sources	-	-	-	-	-	514,349.00	-	279,285.00
Total, Other Financing Sources (Uses)	-	(500,000.00)	-	(176,269.92)	-	(919,213.49)	-	279,285.00
NET INCREASE (DECREASE) IN FUND BALANCE	3,642,158.40	13,372,622.06	1,357,979.00	33,316,285.18	1,048,162.40	3,580,569.01	(8,567,296.28)	(16,534,739.16)
BEGINNING FUND BALANCE,								
as of July 1 – Unaudited	33,343,145.21	42,178,847.89	41,635,127.73	55,459,688.29	74,777,018.23	88,771,788.21	83,018,914.85	91,868,557.22
Audit Adjustments[5]	-	-	-	-	-	(333,800.00)	-	-
As of July 1 – Audited	33,343,145.21	42,178,847.89	41,635,127.73	55,459,688.29	74,777,018.23	88,771,788.21	83,018,914.85	91,868,557.22
Other Restatements	-	(91,056.38)	-	-	-	-	-	-
Adjusted Beginning Balance	33,343,145.21	42,087,791.51	41,635,127.73	55,459,688.29	74,777,018.23	88,437,988.21	83,018,914.85	91,868,557.22
ENDING BALANCE, June 30	$36,985,303.61	$55,460,413.57	$42,993,106.73	$88,775,953.47	$75,825,180.63	$92,018,557.22	$74,451,618.57	$75,333,818.06

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
General Fund Budgets for Fiscal Years 2021-22 through 2024-25,
Unaudited Actuals for Fiscal Years 2021-22 through 2023-24
and Second Interim Report for Fiscal Year 2024-25[1]
(Continued)

	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Unaudited Actuals	2023-24 Original Budget	2023-24 Unaudited Actuals	2024-25 Original Budget	2024-25 Second Interim Report[2]
FUND BALANCE								
Nonspendable	$70,224.00	$264,371.66	$106,609.00	$613,650.00	$264,372.00	$357,533.79	$613,650.00	$357,534.00
Restricted	6,276,587.26	12,278,281.64	4,482,986.00	32,259,108.27	22,381,226.37	36,572,984.15	22,654,981.39	26,862,856.53
Committed	-	31,581,506.27	23,819,388.00	-	37,974,953.00	40,325,279.00	36,817,339.00	32,135,825.00
Assigned	26,808,018.16	7,935,377.00	10,208,886.73	-	10,643,240.00	10,333,931.28	9,981,992.54	11,175,942.96
Reserved for Economic Uncertainties	3,830,474.19	3,400,877.00	4,375,237.00	-	4,561,389.26	4,428,829.00	4,383,655.64	4,801,660.00
Unassigned/Unappropriated	-	-	-	55,903,195.20	-	-	-	(0.43)
	$36,985,303.61	$55,460,413.57	$42,993,106.73	$88,775,953.47	$75,825,180.63	$92,018,557.22	$74,451,618.57	$75,333,818.06

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(1) For financial accounting purposes, the District's audited financial statements reflect the unrestricted and restricted general fund, as well as the District's deferred maintenance fund, but the District's unaudited actuals, adopted budgets, and interim reports reflect only the unrestricted and restricted general fund without the inclusion of the District's deferred maintenance fund.
(2) Figures are projections.
(3) The District is projecting unrestricted general fund deficit spending in fiscal years 2024-25 through 2026-27 and restricted general fund deficit spending in fiscal year 2024-25. See "– District Budget Process and County Review" above.
(4) Redevelopment agency funds received in the general fund were moved to the District's capital facilities fund (Fund 25)
(5) Audit adjustment in fiscal year 2023-24 was due to the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 87.
Source: Morongo Unified School District original adopted general fund budgets for fiscal years 2021-22 through 2024-25; unaudited actuals for fiscal years 2021-22 through 2023-24; and Fiscal Year 2024-25 Second Interim Report.

District Debt Structure

Long-Term Liabilities Other Than OPEB and Pensions. Changes in the District's long-term liabilities other than OPEB and pensions for the year ended June 30, 2024, is set forth in the following table:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amount Due Within One Year
General Obligation Bonds[1]					
Principal	$28,339,127	-	$760,000	$27,579,127	$860,000
Accreted Interest Component	4,114,243	$500,960	-	4,615,203	-
Unamortized Issuance Premium	803,417	-	49,953	753,464	49,953
Subtotal Bonds	33,256,787	500,960	809,953	32,947,794	909,953
Lease Liability[2]	485,542	-	193,330	292,212	199,837
Subscription Based IT Arrangements	-	223,944	42,494	181,450	43,612
Compensated Absences	622,004	-	7,750	614,254	-
Private Placement Debt					
2022 GO Refunding – First Foundation	12,535,000	-	565,000	11,970,000	610,000
Totals	$46,899,333	$724,904	$1,618,527	$46,005,710	$1,763,402

(1) Does not reflect the issuance of the Series 2025 Bonds.
(2) Included as a long-term liability pursuant to GASB Statement No. 87. For more information on the District's lease liabilities and GASB Statement No. 87, see "– *Leases*" below and the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."
Source: Morongo Unified School District Audited Financial Statements for fiscal year 2023-24.

General Obligation Bonds. Prior to the issuance of the Series 2025 Bonds, the District has outstanding four series of general obligation bonds, each of which is secured by *ad valorem* property taxes levied upon all property subject to taxation by the District. See "THE SERIES 2025 BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of this Official Statement for more information about such outstanding bonds. See also Notes 7A and 7D to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Lease Liability. The District is involved in several leases for both equipment and facilities. The initial terms for these leases range from 36 to 60 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term.

The future lease payments for the District's lease liability are as follows:

Fiscal Year	Principal	Interest	Totals
2024-25	$199,837	$7,177	$207,014
2025-26	92,375	1,275	93,650
Totals	$292,212	$8,452	$300,664

Source: Morongo Unified School District Audited Financial Statements for fiscal year 2023-24.

For more information regarding the District's lease liability, see Note 7B to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

In June 2017, GASB issued Statement No. 87, Leases ("Statement No. 87"), which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes as inflows of resources or outflows of resources based on the payment provisions of the contract. Under Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has implemented Statement No. 87 in its financial statements beginning with fiscal year 2021-22. For more information on Statement No. 87, see Note 1 to the District's financial statements in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Subscriptions-Based Information Technology Arrangements. The District is involved in several arrangements for subscription-based software ("SBITA"). The initial terms for these SBITAs range from 24 to 36 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the state interest rate or the State's increment borrowing rate at inception to discount the subscription payments to the net present value.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2024 are as follows:

Fiscal Year	Principal	Interest	Total
2024-25	$43,612	$3,532	$47,144
2025-26	44,759	2,385	47,144
2026-27	45,936	1,208	47,144
2027-28	47,143	-	47,144
Total	$181,450	$7,125	$188,575

Source: Morongo Unified School District Audited Financial Statements for fiscal year 2023-24.

For more information regarding SBITAs, see Note 7C to the District's financial statements in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

Tax and Revenue Anticipation Notes. The District did not issue tax and revenue anticipation notes ("TRANS") or borrow funds to supplement the District's cash flow in fiscal years 2022-23 and 2023-24. The District does not currently plan to issue TRANS in fiscal year 2024-25. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

General. As of the preparation of the Fiscal Year 2024-25 Second Interim Report, the District employs approximately 1,019.80 full-time equivalent ("FTE") employees, including approximately 443.50 FTE certificated (credentialed teaching) staff, approximately 488.30 FTE classified (non-teaching) staff, and approximately 88.00 FTE management personnel. For fiscal year 2023-24, the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District were approximately $53.65 million and $21.82 million, respectively. As of the Fiscal Year 2024-25 Second Interim Report, the District projects that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately $57.75 million and $25.82 million, respectively, in fiscal year 2024-25. These employees, except unrepresented management employees, are represented by Morongo Teachers Association/CTA/NEA ("MTA") and California School Employees Association Chapter Number 29 ("CSEA"), as described in more detail below.

MTA. As of the preparation of the Fiscal Year 2024-25 Second Interim Report, MTA represents approximately 443.50 FTE certificated (credentialed teaching) employees in the District. The District and MTA entered into a revised contract effective July 1, 2023, that expires on June 30, 2025 (the "MTA Agreement") and provides for the ability to reopen and renegotiate certain terms for fiscal year 2024-25. Salary and benefit increases for fiscal year 2024-25 are settled and the financial impact of the MTA Agreement for fiscal year 2024-25 is reflected in the Fiscal Year 2024-25 Second Interim Report.

CSEA. As of the preparation of the Fiscal Year 2024-25 Second Interim Report, CSEA represents approximately 488.30 FTE classified (non-teaching) employees in the District. The District and CSEA entered into a multi-year contract effective July 1, 2022, that expires on June 30, 2025 (the "CSEA Agreement") and provides for the ability to reopen and renegotiate certain terms of the contract by September 30th of each fiscal year. Salary and benefit increases for fiscal year 2024-25 are settled and the financial impact of the CSEA Agreement for fiscal year 2024-25 is reflected in the Fiscal Year 2024-25 Second Interim Report.

Management Employees. As of the preparation of the Fiscal Year 2024-25 Second Interim Report, there are approximately 88.00 FTE management employees in the District. Salary and benefit increases for fiscal year 2024-25 for management employees are settled and the financial impact for fiscal year 2024-25 is reflected in the Fiscal Year 2024-25 Second Interim Report.

Other Post-Employment Benefits

In addition to the retirement plan benefits with California State Teachers' Retirement System ("CalSTRS") and California Public Employees' Retirement System ("CalPERS"), the District provides other post-employment benefits ("OPEB") under two different plans: (1) the District's single-employer defined benefit OPEB plan (the "District Plan") and (2) the cost-sharing multiple-employer OPEB plan administered by CalSTRS through the Teachers' Health Benefits Fund (the "MPP Plan"). For fiscal year 2023-24, the District reported the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan and the MPP Plan as follows:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$921,586	$117,560	$460,067	$(5,736)
MPP Plan	337,542	-	-	(59,968)
Total	$1,259,128	$117,560	$460,067	$(65,704)

Source: Morongo Unified School District Audited Financial Statements for fiscal year 2023-24.

District Plan. Under the District Plan, the District provides postemployment health care benefits to eligible certificated, classified and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with District Plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 (described below). The Plan provides medical/prescription drug, dental and vision health plans for all eligible employees and their dependents. At June 30, 2024, membership of the District Plan consisted of 867 total employees, including 842 active employees and 25 inactive employees currently receiving benefits.

The District moved to the CalPERS Medical Pool in 2022 which requires the employer to pay the PEMHCA minimum to retirees participating in a CalPERS medical plan. The District invoked the unequal contribution method under California Government Code 22892 as well as a 50-year service requirement under 22895 for future retirees to be eligible for these payments. Retirees at the time of the change were eligible to receive the PEMHCA minimum payments without 50 years of service. Lifetime benefits are offered and the District contribution is 100% up to a District cap of $15.70 in 2024 increasing to 5% of PEMHCA minimum $(157/month in 2024).

Total Compensation Systems, Inc. prepared an actuarial valuation for the District Plan, dated August 21, 2024, using a June 30, 2024 valuation and measurement date (the "Actuarial Valuation"). According to the Actuarial Valuation, the District's total and net OPEB liability resulting from the implicit rate subsidy described above as of June 30, 2024, is $921,586. Such total and net OPEB liability reflect an increase from the total and net OPEB liability as of June 30, 2023, of $904,621. The Actuarial Valuation uses the following assumptions: a discount rate of 3.93% per year net of expenses, an inflation rate of 2.50% per year, a payroll increase rate of 2.75% per year, and a healthcare cost trend rate of 4.00% per year. Such assumptions are consistent with the assumptions used in fiscal year 2022-23, with the exception that the discount rate was 3.65% for fiscal year 2023-24.

The following table summarizes the changes in the total OPEB liability for fiscal year ended June 30, 2024:

	Total OPEB Liability
Balance at July 1, 2023	$904,621
Changes for the year:	
Service cost	4,566
Interest	31,725
Differences between expected and actual experience	77,687
Changes of assumptions	(21,572)
Benefit payments	(75,441)
Net Changes	16,965
Balance at June 30, 2024	$921,586

Source: Morongo Unified School District Audited Financial Statements for fiscal year 2023-24.

MPP Plan. The MPP Plan is a cost-sharing multiple-employer OPEB established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), and CalSTRS administers the MPP Plan through the Teachers' Health Benefit Fund ("THBF"). A full description of the MPP Plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: **http://www.calstrs.com/general-information/gasb-6768**. The information referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The MPP Plan pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program ("DB Program") who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The MPP Plan is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Plan.

As of June 30, 2023, 4,457 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

At June 30, 2024, the District reported a liability of $337,542 for its proportionate share of the net OPEB liability for the MPP Plan. The total OPEB liability for the MPP Program, as of June 30, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to 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 MPP 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 June 30, 2024 and June 30, 2023, respectively, was 0.111240% and 0.120673%, resulting in a net decrease in the proportionate share of (0.009433)%. For the year ended June 30, 2024, the District recognized an OPEB expense of $(59,968).

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, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer. As the MPP Program is funded on a pay-as-you-go basis, the MPP Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Plan used *The Bond Buyer's* 20-Bond GO Index from **Bondbuyer.com** as of June 30, 2023, 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, 2023, was 3.65%, which is an increase of 0.11% from 3.54 as of June 30, 2022.

For more information regarding the District Plan and the MPP Plan, see Note 8 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

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

Retirement Benefits

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

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Assembly Bill 1469, signed into law by former Governor Brown as part of the fiscal year 2014-15 State budget, increased employee, employer and State contributions to CalSTRS as part of a plan to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations and subject to certain limitations. The State Teachers' Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers' Retirement Board may also adjust the State's contribution rate by a maximum of 0.50% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and contribution rates or the amount the District will be required to pay for pension related costs in future fiscal years.

The employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate as a result of the State redirecting certain State supplemental pension payments to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. For fiscal years 2022-23 and 2023-24, the employer contribution rate was approximately 19.10% of covered payroll and will remain at 19.10% for fiscal year 2024-25. The employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the California Education Code. The State's total contribution was increased from approximately 6.83% of payroll in fiscal year 2017-18 to approximately 10.83% of payroll in fiscal year 2021-22. The State's contribution rate was approximately 10.83% of payroll for fiscal years 2022-23 and 2023-24, and will remain at approximately 10.83% for fiscal year 2024-25. The State's contribution includes an annual payment of 2.50% of payroll pursuant to a supplemental inflation protection program. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 10.25% for fiscal years 2016-17 through 2023-24 and will remain at 10.25% for fiscal year 2024-25. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was approximately 9.21% for fiscal years 2016-17 and 2017-18, approximately 10.21% for fiscal years 2018-19 through 2023-24 and will remain at approximately 10.21% for fiscal year 2024-25.

The following table sets forth the District's employer contributions from all funds of the District to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2020-21 through 2023-24 and the projected contributions for fiscal year 2024-25.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Contributions to CalSTRS for Fiscal Years 2020-21 through 2024-25

Fiscal Year	District Contribution	State On-Behalf Contribution
2020-21	$6,865,298	$4,401,606
2021-22	7,950,104	4,837,467
2022-23	9,023,078	4,488,558
2023-24	9,565,723	4,389,632
2024-25[(1)]	10,422,033	4,616,664

(1) Projection. Fiscal Year 2024-25 Second Interim Report.
Source: Morongo Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2020-21 through 2023-24 were equal to 100% of the required contributions for each year.

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2023 (the "2023 CalSTRS Actuarial Valuation") showed an estimated unfunded actuarial liability of $86.59 billion, a decrease of approximately $1.97 billion from the June 30, 2022, valuation. Such estimated unfunded actuarial liability was projected to decrease in the June 30, 2022, valuation, which projected an unfunded actuarial liability of $88.10 billion as of June 30, 2023. The actual unfunded actuarial liability as of June 30, 2023, represents a net actuarial gain of approximately $1.52 billion. Such net actuarial gain is due primarily to change in actuarial value assumptions based on the most recent experience analysis, member salary increases being more than assumed, market value returns (estimated at 6.50%) being less than assumed (7.00%) and returns on actuarial value of assets (estimated at 7.20%) being greater than assumed as the recognition of actuarial investment gains which were previously deferred had a greater impact on recognition of the less-than-assumed market return for the most recent year. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2023, and June 30, 2022, based on the actuarial assumptions, were approximately 75.90% and 74.40%, respectively. According to the 2023 CalSTRS Actuarial Valuation, the funded ratio increased by 1.50% during the past year. As described in the 2023 CalSTRS Actuarial Valuation, the increase in the funded ratio is primarily due to the new assumptions and contributions made to pay down the unfunded actuarial obligation in fiscal year 2022-23. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not increase in the future, subject to the limitations of AB 1469.The following are certain of the actuarial assumptions set forth in the 2023 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, 3.25% payroll growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2023 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "− *Governor's Pension Reform*" below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

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

See also Note 9 to and the Required Supplementary Information included with the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024," for information with respect to the District's proportionate share of the CalSTRS net pension liability of $57,277,770 as of June 30, 2024 (which excludes the State proportionate share of the net pension liability in the amount of $27,443,390), as well as information about the District's proportionate share for prior fiscal years.

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

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. K-14 school districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in K-14 school district contributions. The District cannot make any predictions as to the effect of State, national or international events on investment earnings and K-14 school district contributions. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2021-22, which increased to 8.00% for fiscal years 2022-23 and 2023-24 and remains at 8.00% for fiscal year 2024-25. K-14 school districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.06% of eligible salary expenditures for fiscal year 2018-19 and originally 20.73% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.72% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.91%, respectively. The actuarially determined rate for employer contributions was 25.37% for fiscal year 2022-23, 26.68% for fiscal year 2023-24 and is 27.05% for fiscal year 2024-25.

The table on the following page sets forth the District's total employer contributions from all applicable funds of the District to CalPERS for fiscal years 2020-21 through 2023-24 and the projected contribution for fiscal year 2024-25.

MORONGO UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)
Contributions to CalPERS for Fiscal Years 2020-21 through 2024-25

Fiscal Year	District Contribution
2020-21	$2,814,820
2021-22	3,494,746
2022-23	4,374,414
2023-24	5,573,107
2024-25[1]	5,983,689

[1] Projection. Fiscal Year 2024-25 Second Interim Report.
Source: Morongo Unified School District.

The District's total employer contributions to CalPERS for fiscal years 2020-21 through 2023-24 were equal to 100% of the required contributions for each year.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2023 (the "2023 CalPERS Schools Pool Actuarial Valuation"), was released in August 2024, and such valuation reported an actuarial accrued liability of approximately $124.92 billion with the market value of assets at approximately $84.29 billion, and a funded status of approximately 67.50%. From June 30, 2022, to June 30, 2023, the funded status of the CalPERS Schools Pool decreased by approximately 0.40%, and the unfunded accrued liability increased by approximately $3.04 billion, largely due to the difference between the expected and actual rate of return on investments.

CalPERS reported a negative 6.10% net return on investments for fiscal year 2021-22, which is CalPERS' first negative return on investments since fiscal year 2008-09. The negative 6.10% net return on investments was less than the assumed annual rate of return on investments of 6.80%. Such negative return generated an actuarial investment loss of approximately $12.40 billion, which will be amortized over 20 years with a five-year phase-in, increasing the component of the expected employer contribution rate related to the unfunded liability contribution in fiscal year 2024-25 by 0.07% of payroll. The 2023 CalPERS Schools Pool Actuarial Valuation reports that the employer contribution rates for fiscal years 2024-25, 2025-26, 2026-27, 2027-28, 2028-29 and 2029-30 are projected to be 27.05%, 27.60%, 28.00%, 29.20%, 29.00% and 28.80%, respectively. Such projections assume that all actuarial assumptions will be realized, including net investment returns in such fiscal years of 6.80%, and that no further changes to assumptions, contributions, benefits or funding will occur during such fiscal years. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases reflected in the 2023 CalPERS Schools Pool Actuarial Valuation. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future.

The 2023 CalPERS Schools Pool Actuarial Valuation as summarized assumes, among other things, 2.30% price inflation, 2.80% wage inflation and payroll growth of 2.80% compounded annually. The 2023 CalPERS Schools Pool Actuarial Valuation as summarized reflects a discount rate of 6.80% compounded annually (net of administrative expenses) as of June 30, 2023. The CalPERS Board of Administration adopted new demographic assumptions on November 17, 2021, including a reduction in the discount rate from 7.00% as of June 30, 2020 to 6.80% as of June 30, 2021, a reduction in the inflation assumption from 2.50% as of June 30, 2020 to 2.30% as of June 30, 2021, and an increase in payroll growth from 2.75% as of June 30, 2020 to 2.80% as of June 30, 2021. Such assumption changes result in increases in both the normal cost and unfunded liabilities contributions to be paid in the future. The actuarial funding method used in the 2023 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method."

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

See also Note 9 to and the Required Supplementary Information included with the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024," for information with respect to the District's proportionate share of the CalPERS net pension liability of $35,072,600 as of June 30, 2024, as well as information about the District's proportionate share for prior fiscal years.

Social Security. 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 as elected to use Social Security as its alternative plan (the "Alternative Plan").

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS, CalPERS and the Social Security are more fully described in Note 9 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

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

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in joint ventures under joint powers agreements ("JPAs"), which includes the following: the Southern California Schools Employee Benefit Association (SCSEBA), the Schools Excess Liability Fund (SELF) public entity risk pool for property and liability coverage and the CSRM public entity risk pool for workers' compensation coverage. In addition, the District maintains cyber liability insurance through CSRM.

The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. The JPAs are governed by a board consisting of representatives from each member district. The board controls the operations of the JPAs independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

See Notes 10 and 12 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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

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

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

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

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

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

Proposition 19. Proposition 19, which was approved by the voters of the State on November 3, 2020, among other things, allows an owner of a primary residence who is over 55 years of age, severely disabled, or a victim of a wildfire or natural disaster to transfer the taxable value (i.e., the base year value plus inflation adjustments) of their primary residence to a replacement primary residence located anywhere in the State, regardless of the location or value of the replacement primary residence, that is purchased or newly constructed as that person's principal residence within two years of the sale of the original primary residence. Proposition 19 limits a person who is over 55 years of age or severely disabled to three transfers under these provisions. Proposition 19 also excludes from the terms "purchase" and "change in ownership" for purposes of determining the "full cash value" of property the purchase or transfer of a family home or family farm of the transferor in the case of a transfer between parents and their children, or between grandparents and their grandchildren if all the parents of those grandchildren are deceased. In the case of a transfer of a family home, Proposition 19 require that the property continue as the family home of the transferee. The District is unable to predict the effect such measure may have on tax assessments within the District.

Article XIIIB of the California Constitution

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

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

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

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

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

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

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

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

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

Proposition 30 and Proposition 55

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

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

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

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

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

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

Since the District is neither a community funded district nor a small school district with fewer than 2,501 units of A.D.A., the District is subject to the reserve cap when applicable. The District, which has an A.D.A. of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. For more information on the District's reserves, current projections with respect to such reserves, and related policies, see "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *School District Reserves*."

The Series 2025 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2025 Bonds as and when due.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 2, 19, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenue.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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MORONGO UNIFIED SCHOOL DISTRICT

SAN BERNARDINO COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2024

NIGRO & NIGRO PC

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Section

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NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Education
Morongo Unified School District
Twentynine Palms, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morongo Unified School District, as of and for the fiscal year ended June 30, 2024, 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 Morongo Unified School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' 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.

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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 annual report. The other information comprises the LEA 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 the 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, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
December 11, 2024

This discussion and analysis of Morongo Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by $19.7 million, or 20.8%.
- Governmental expenses were about $149.2 million. Revenues were about $168.9 million.
- The District acquired over $11.9 million in new capital assets during the year, and $0.2 million in subscription assets.
- Governmental funds increased by $10.9 million, or 10.3%.

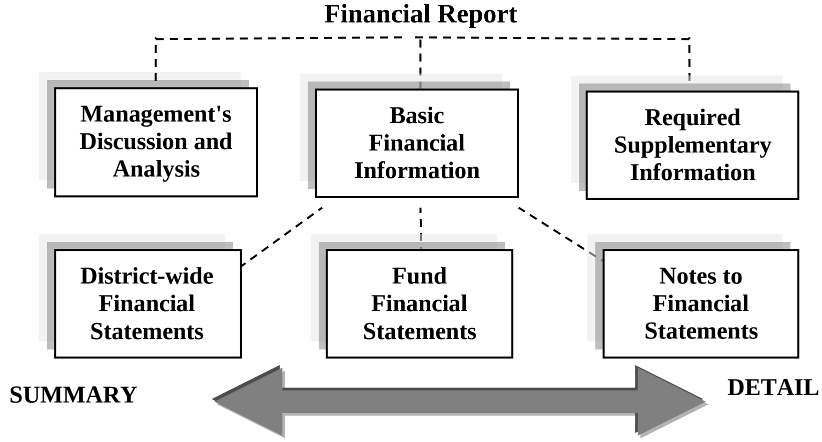
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Morongo Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims, health and welfare benefits, and property and liability claims.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2024, than it was the year before – increasing 20.8% to $114.1 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2024	2023	(Decrease)
Assets			
Current assets	$ 129,331,907	$ 125,678,598	$ 3,653,309
Capital assets	110,421,019	103,161,887	7,259,132
Total assets	239,752,926	228,840,485	10,912,441
Deferred outflows of resources	40,986,163	41,011,893	(25,730)
Liabilities			
Current liabilities	11,731,988	19,467,868	(7,735,880)
Long-term liabilities	139,615,208	137,135,369	2,479,839
Total liabilities	151,347,196	156,603,237	(5,256,041)
Deferred inflows of resources	15,287,883	18,820,343	(3,532,460)
Net position			
Net investment in capital assets	71,641,520	62,934,457	8,707,063
Restricted	52,337,090	45,610,049	6,727,041
Unrestricted	(9,874,600)	(14,115,708)	4,241,108
Total net position	$ 114,104,010	$ 94,428,798	$ 19,675,212

Changes in net position, governmental activities. The District's total revenues decreased 1.6% to $168.9 million (See Table A-2). The decrease is due primarily to a reduction in one-time state grants.

The total cost of all programs and services increased 23.4% to $149.2 million. The District's expenses are predominantly related to educating and caring for students, 73.2%. The purely administrative activities of the District accounted for just 10.8% of total costs. A significant contributor to the increase in costs was negotiated salary and benefits increases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities 2024	Governmental Activities 2023	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 1,723,126	$ 1,512,756	$ 210,370
Operating grants and contributions	48,466,710	59,280,496	(10,813,786)
Capital grants and contributions	4,868	2,624	2,244
General Revenues:			
Property taxes	17,173,251	15,512,583	1,660,668
Federal and state aid not restricted	94,921,620	93,833,033	1,088,587
Other general revenues	6,587,650	1,512,036	5,075,614
Total Revenues	168,877,225	171,653,528	(2,776,303)
Expenses			
Instruction-related	86,225,544	71,155,050	15,070,494
Pupil services	23,013,879	20,021,584	2,992,295
Administration	16,156,666	8,897,776	7,258,890
Plant services	16,071,905	13,823,710	2,248,195
All other activities	7,734,019	7,054,544	679,475
Total Expenses	149,202,013	120,952,664	28,249,349
Increase (decrease) in net position	19,675,212	50,700,864	(31,025,652)
Net Position	$ 114,104,010	$ 94,428,798	$ 19,675,212

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $117.0 million, which is above last year's ending fund balance of $106.1 million. The primary cause of the increased fund balance is an operating surplus in the General Fund.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2023	Revenues	Expenditures	Other Financing Uses and Sources	June 30, 2024
Fund					
General Fund	$ 88,437,988	$ 154,067,627	$ 147,337,207	$ (1,209,618)	$ 93,958,790
Student Activity Fund	342,736	173,717	149,937	-	366,516
Cafeteria Fund	6,112,907	9,587,912	9,099,698	-	6,601,121
Deferred Maintenance Fund	4,943,628	4,274,281	987,621	-	8,230,288
Capital Facilities Fund	3,251,134	2,210,480	1,723,703	933,562	4,671,473
County School Facilities Fund	153,162	4,868	-	-	158,030
Bond Interest and Redemption Fund	2,852,034	2,722,638	2,562,050	-	3,012,622
Total	$ 106,093,589	$ 173,041,523	$ 161,860,216	$ (276,056)	$ 116,998,840

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights
Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $5.7 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased $10.0 million to reflect revised cost estimates.
- Other non-personnel expenses – increased $25.0 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $8.3 million, the actual results for the year show that revenues exceeded expenditures by roughly $6.7 million. Actual revenues were $4.7 million less than anticipated, and expenditures were $19.7 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2024, that will be carried over into the 2024-25 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
By the end of 2023-24 the District had acquired $11.9 million in new capital assets, related to land, construction in progress, site improvements, and equipment purchases as well as $0.2 million in subscription assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $4.6 million and amortization was $0.3 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance
	2024	**2023**	**Increase (Decrease)**
Land	$ 3,152,399	$ 3,152,399	$ -
Improvement of sites	33,584,696	16,550,739	17,033,957
Buildings	56,442,629	58,825,647	(2,383,018)
Equipment	4,911,327	3,709,483	1,201,844
Construction in progress	11,520,017	20,013,534	(8,493,517)
Leased assets	368,772	553,158	(184,386)
Subscription assets	441,179	356,927	84,252
Total	$ 110,421,019	$ 103,161,887	$ 7,259,132

Long-Term Debt
At year-end the District had $139.6 million in long-term liabilities – an increase of 1.8% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase
	2024	2023	(Decrease)
General obligation bonds	$ 32,947,794	$ 33,256,787	$ (308,993)
Subscription based IT arrangements	181,450	-	181,450
Lease liability	292,212	485,542	(193,330)
Compensated absences	614,254	622,004	(7,750)
Private placement refunding bonds	11,970,000	12,535,000	(565,000)
Other postemployment benefits	1,259,128	1,302,131	(43,003)
Net pension liability	92,350,370	88,933,905	3,416,465
Total	$ 139,615,208	$ 137,135,369	$ 2,479,839

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed an initial budget on June 15, 2024. The main structural difference between the legislative package and the May Revision was that the legislative package started the proposed limitation on NOLs and tax credits one year earlier—resulting in roughly $5 billion in additional revenue. The Legislature’s budget used that additional budget capacity to reject some of the Governor’s spending solutions and/or provide other augmentations. The legislative package also included a large number of other smaller changes across a variety of programs. The legislative package used slightly more (nearly $1 billion) in general purpose reserves than the May Revision.

K-14 Education

Funds Modest COLA and a Few Smaller Augmentations

For 2024-25, the budget provides $1 billion to cover a 1.07 percent COLA for existing school and community college programs. For schools, the budget also provides an increase of $300 million ($179 million ongoing and $121 million one time) to cover cost increases related to universal school meals. A small portion of the budget’s remaining funds are allocated to cover enrollment- and caseload-driven increases in a few specific areas.

Implements Small Payment Deferral

The budget reduces spending in 2024-25 by deferring $487 million in payments to 2025-26. Of this deferral, half applies to schools and half applies to community colleges. The state will implement the deferral by delaying a portion of the payment districts ordinarily would receive in June 2025 to July 2025. The law allows school districts to be exempt from this deferral (meaning they would receive all of their funding on time) if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in 2024-25 to the minimum level required by Proposition 98.

Suspends Proposition 98 Requirement and Reduces Spending

For 2023-24, the budget invokes a provision allowing the state to suspend the minimum Proposition 98 requirement and reduce spending on schools and community colleges by $8.3 billion relative to the level otherwise required that year. Separate from this action, the budget makes a $2.6 billion reduction attributable to 2022-23. Both of these reductions lower the Proposition 98 requirement on an ongoing basis. The combined effect of these reductions is to reduce General Fund spending by $12.7 billion over the 2022-23 through 2024-25 period. As required by the State Constitution, the budget also withdraws the entire balance from the Proposition 98 Reserve ($8.4 billion) in 2023-24 to supplement the funding provided to schools and community colleges. In 2024-25, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly $1.1 billion.

FACTORS BEARING ON THE DISTRICT'S FUTURE(continued)

Bond Funds

The state is seeking approval of two bond measures on the November 2024 ballot: Proposition 2 and Proposition 4. Proposition 2 would allow the state to borrow $10 billion to build new facilities and renovate existing facilities at school districts and community colleges. The cost to repay this bond would be about $500 million each year for 35 years. Proposition 4 would allow the state to borrow $10 billion to pay for various natural resources and climate activities. The cost to repay this bond would be about $400 million each year for 40 years. The cost to repay both bonds would total about $900 million each year.

Scores Savings Related to Attendance and a Few Other Adjustments

In response to significant declines in attendance over the past several years, the state adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For 2024-25, the budget assumes savings of $1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. In addition, the budget obtains $1.2 billion in savings by (1) deferring some payments from 2024-25 to 2025-26, (2) reducing funding for State Preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the Constitution, the state must dedicate all of these savings to other school and community college purposes.

All of these factors were considered in preparing the Morongo Unified School District budget for the 2024-25 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sharon Flores, Assistant Superintendent-Business Services, Morongo Unified School District, 5715 Utah Trail, P.O. Box 1209, Twentynine Palms, California 92277 or by email at sflores@morongousd.org.

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2024

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 117,456,841
Accounts receivable	11,242,306
Inventories	347,701
Prepaid expenses	285,059
Capital assets:	
Non-depreciable assets	14,672,416
Depreciable assets	171,546,226
Less accumulated depreciation	(76,607,574)
Leased assets	921,930
Less accumulated amortization	(553,158)
Subscription assets	629,954
Less accumulated amortization	(188,775)
Total assets	239,752,926
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	39,053,299
Deferred outflows related to OPEB	117,560
Deferred amounts on refunding	1,815,304
Total deferred outflows of resources	40,986,163
LIABILITIES	
Accounts payable	10,389,729
Accrued interest payable	503,265
Unearned revenue	838,994
Noncurrent liabilities:	
Due or payable within one year	1,763,402
Due or payable after one year:	
Other than OPEB and pensions	44,242,308
Total OPEB liability	1,259,128
Net pension liability	92,350,370
Total liabilities	151,347,196
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	14,827,816
Deferred inflows related to OPEB	460,067
Total deferred inflows of resources	15,287,883
NET POSITION	
Net investment in capital assets	71,641,520
Restricted for:	
Capital projects	4,829,503
Debt service	3,012,622
Student activity	366,516
Categorical programs	43,024,105
Self-insurance program	1,104,344
Unrestricted	(9,874,600)
Total net position	$ 114,104,010

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2024

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
Governmental Activities:					
Instructional Services:					
Instruction	$ 71,318,132	$ 11,774	$ 22,471,123	$ 4,868	$ (48,830,367)
Instruction-Related Services:					
Supervision of instruction	4,719,507	30,467	2,549,011	-	(2,140,029)
Instructional library, media and	1,282,451	-	374,728	-	(907,723)
School site administration	8,905,454	164	(16,306)	-	(8,921,596)
Pupil Support Services:					
Home-to-school transportation	5,545,563	-	160,006	-	(5,385,557)
Food services	9,309,875	734,941	9,338,269	-	763,335
All other pupil services	8,158,441	23,505	2,005,601	-	(6,129,335)
General Administration Services:					
Data processing services	9,442,658	(5,280)	6,225,769	-	(3,222,169)
Other general administration	6,714,008	63,180	1,649,113	-	(5,001,715)
Plant Services	16,071,905	699	502,191	-	(15,569,015)
Ancillary Services	810,716	-	163,118	-	(647,598)
Community Services	232,524	-	86,549	-	(145,975)
Interest on Long-Term Debt	1,792,502	-	-	-	(1,792,502)
Other Outgo	-	863,676	2,957,538	-	3,821,214
Depreciation (unallocated)	4,574,199	-	-	-	(4,574,199)
Amortization (unallocated)	324,078	-	-	-	(324,078)
Total Governmental Activities	$ 149,202,013	$ 1,723,126	$ 48,466,710	$ 4,868	(99,007,309)

General Revenues:	
Property taxes	17,173,251
Federal and state aid not restricted to specific purpose	94,921,620
Interest and investment earnings	5,467,096
Interagency revenues	99,750
Miscellaneous	1,020,804
Total general revenues	118,682,521
Change in net position	19,675,212
Net position - July 1, 2023	94,428,798
Net position - June 30, 2024	$ 114,104,010

MORONGO UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2024

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	$ 102,727,343	$ 13,628,859	$ 116,356,202
Accounts receivable	9,514,851	1,719,950	11,234,801
Due from other funds	808,824	-	808,824
Inventories	37,475	310,226	347,701
Prepaid expenditures	285,059	-	285,059
Total Assets	$ 113,373,552	$ 15,659,035	$ 129,032,587
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 10,376,359	$ 9,570	$ 10,385,929
Due to other funds	-	808,824	808,824
Unearned revenues	808,115	30,879	838,994
Total Liabilities	11,184,474	849,273	12,033,747
Fund Balances			
Nonspendable	357,534	310,366	667,900
Restricted	36,422,984	14,499,396	50,922,380
Committed	40,325,279	-	40,325,279
Assigned	18,045,102	-	18,045,102
Unassigned	7,038,179	-	7,038,179
Total Fund Balances	102,189,078	14,809,762	116,998,840
Total Liabilities and Fund Balances	$ 113,373,552	$ 15,659,035	$ 129,032,587

MORONGO UNIFIED SCHOOL DISTRICT

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

June 30, 2024

Total fund balances - governmental funds			$ 116,998,840
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets, lease assets, subscription assets, accumulated depreciation, amd accumulated amortization.			
	Capital assets at historical cost	186,218,642	
	Accumulated depreciation	(76,607,574)	
	Subscription assets at historical cost	921,930	
	Lease assets at historical cost	629,954	
	Accumulated amortization	(741,933)	110,421,019
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(503,265)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			1,815,304
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources relating to pensions	39,053,299	
	Deferred inflows of resources relating to pensions	(14,827,816)	24,225,483
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources and inflows of resources relating to OPEB are reported.			
	Deferred outflows of resources relating to OPEB	117,560	
	Deferred inflows of resources relating to OPEB	(460,067)	(342,507)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	General obligation bonds payable	32,947,794	
	Subscription Based IT Arrangements	181,450	
	Lease liabilty	292,212	
	Compensated absences payable	614,254	
	Private placement refunding bonds	11,970,000	
	Other postemployment benefits payable	1,259,128	
	Net pension liability	92,350,370	(139,615,208)
Internal service funds are used to conduct certain activities for which costs are changed to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. The net position for internal service funds is:			1,104,344
Total net position - governmental activities			$ 114,104,010

MORONGO UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	$ 103,980,965	$ -	$ 103,980,965
Federal sources	21,253,405	6,918,322	28,171,727
Other state sources	24,977,289	2,369,246	27,346,535
Other local sources	8,130,249	5,412,047	13,542,296
Total Revenues	158,341,908	14,699,615	173,041,523
EXPENDITURES			
Current:			
Instructional services:			
Instruction	75,392,299	-	75,392,299
Instruction-related services:			
Supervision of instruction	5,233,205	-	5,233,205
Instructional library, media and technology	1,284,666	-	1,284,666
School site administration	9,554,151	-	9,554,151
Pupil support services:			
Home-to-school transportation	5,542,009	-	5,542,009
Food services	115,453	8,880,210	8,995,663
All other pupil services	8,975,608	-	8,975,608
Ancillary services	682,977	149,937	832,914
Community services	228,862	-	228,862
General administration services:			
Data processing services	9,514,561	-	9,514,561
Other general administration	7,025,647	214,915	7,240,562
Plant services	16,071,721	8,381	16,080,102
Transfers of indirect costs	(211,107)	211,107	-
Capital outlay	8,665,267	1,508,788	10,174,055
Debt service:			
Principal	235,824	1,325,000	1,560,824
Interest	13,685	1,237,050	1,250,735
Total Expenditures	148,324,828	13,535,388	161,860,216
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,017,080	1,164,227	11,181,307
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	933,562	933,562
Interfund transfers out	(1,433,562)	-	(1,433,562)
Proceeds from SBITAs	223,944	-	223,944
Total Other Financing Sources and Uses	(1,209,618)	933,562	(276,056)
Net Change in Fund Balances	8,807,462	2,097,789	10,905,251
Fund Balances, July 1, 2023	93,381,616	12,711,973	106,093,589
Fund Balances, June 30, 2024	$ 102,189,078	$ 14,809,762	$ 116,998,840

MORONGO UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2024

Total net change in fund balances - governmental funds			$ 10,905,251
Amounts reported for governmental activities in the statement of activities are different because:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, the cost of capital assets is allocated over its estimated useful life as depreciation expense. The difference between capital outlay expenditures, depreciation, and amortization expense for the period is:			
	Expenditures for capital outlay:	11,933,465	
	Depreciation expense:	(4,574,199)	
	Expenditures for subscriptions:	223,944	
	Amortization expense	(324,078)	
	Net:		7,259,132
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			1,560,824
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:			(223,944)
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest paid exceeded accreted interest earned by:			(500,960)
In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of the premium for the period is:			49,953
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is:			(120,352)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:			18,552
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis costs and actual employer contributions was:			112,475
In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was:			7,750
In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:			141,144
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:			465,387
Change in net position of governmental activities			$ 19,675,212

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2024

	Governmental Activities Internal Service Fund
ASSETS	
Deposits and investments	$ 1,100,639
Accounts receivable	7,505
Total assets	1,108,144
LIABILITIES	
Accounts payable	3,800
NET POSITION	
Restricted	$ 1,104,344

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2024

	Governmental Activities
	Internal Service Fund
OPERATING EXPENSES	
Payments for claims and other operating expenses	$ 52,595
OPERATING INCOME (LOSS)	(52,595)
NON-OPERATING REVENUES	
Interest and investment income	17,982
INCOME BEFORE TRANSFERS	(34,613)
Interfund transfers in	500,000
Change in net position	465,387
Net position, July 1, 2023	638,957
Net position, June 30, 2024	$ 1,104,344

MORONGO UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2024

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to vendors and suppliers	$ (50,555)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	16,722
CASH FLOWS FROM FINANCING ACTIVITIES	
Interfund transfer	500,000
Net increase (decrease) in cash and cash equivalents	466,167
Cash and cash equivalents, July 1, 2023	634,472
Cash and cash equivalents, June 30, 2024	$ 1,100,639
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (52,595)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts payable and accrued liabilities	2,040
Net cash used by operating activities	$ (50,555)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morongo Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

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 have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,* and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees 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 District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District reports the following major governmental funds:

General Fund: This is the chief operating fund for the District. 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. The District also maintains a Deferred Maintenance Fund which does not currently meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

Non-Major Governmental Funds
The District reports the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established 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 District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 and 38093).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds: Capital projects funds are established 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: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.).

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* Sections 15125-15262).

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District’s proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions (continued)
Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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.

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

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

D. Encumbrances
Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

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

1. Cash and Cash Equivalents
The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items
Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Description	Estimated Lives
Buildings	20-50 years
Improvements/Infrastructure	5-50 years
Equipment	2-15 years

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases

Lessee:
At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

If material, lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:
At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

If material, the District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

9. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Morongo Unified School District Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. 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.

10. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

12. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Net Position (continued)

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

Fund balance measures the net financial resources available to finance expenditures of future periods. The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Education.

Fund Balance of the District may be committed for a specific source by formal action of the Board of Education. Amendments or modification to the committed fund balance must also be approved by formal action of the Board of Education. Committed fund balance does not lapse at year-end. The formal action required to commit fund balance shall be by board resolution or majority vote.

The Board of Education delegates authority to assign fund balance for a specific purpose to the Associate Superintendent, Business Services of the District with notification at the next scheduled Board Meeting to the Board of Education.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance.

The District currently adheres to the state mandated minimal level of fund balance as outlined in Title V of the California Code of Regulations Section 15443, Reserve.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. Change in Accounting Principle

For the fiscal year ended June 30, 2024, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62.* This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net positions, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Governmental funds	$	116,356,202
Proprietary funds		1,100,639
Total deposits and investments	$	117,456,841

Deposits and investments as of June 30, 2024 consist of the following:

Cash on hand and in banks	$	5,850,371
Cash in revolving fund		35,140
Investments		111,571,330
Total deposits and investments	$	117,456,841

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing San Bernardino County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. 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 San Bernardino County Treasurer for the entire portfolio (in relation to the amortized cost of that polio). The balance available for withdrawal is based on the accounting records maintained by the San Bernardino County Treasurer, which is recorded on the amortized basis.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits
Custodial credit risk 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. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2024, $5.7 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk
The District’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District’s investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2024, consist of the following:

	Reported Amount	Less Than One Year	Through Five Years	Fair Value Measurement	Rating
Investments:					
San Bernardino County Pool	$ 111,571,330	$ 111,571,330	$ -	Uncategorized	N/A

Investments - Credit Risk
The District’s investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2024, all investments represented governmental securities which were issued, registered and held by the District’s agent in the District’s name.

Investments - Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2024, the District had no investments outside the County Treasury.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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 date 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.

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
Federal Government:				
Categorical aid programs	$ 6,786,861	$ 1,223,177	$ 8,010,038	$ -
State Government:				
LCFF	159	-	159	-
Lottery	452,324	-	452,324	-
Categorical aid programs	621,511	319,839	941,350	-
Local:				
Interest	1,036,580	42,821	1,079,401	7,505
Other local sources	617,416	134,113	751,529	-
Total	$ 9,514,851	$ 1,719,950	$ 11,234,801	$ 7,505

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2024, consisted of the following:

Cafeteria Fund due to General Fund for payroll and operating expenses	$ 808,824

B. Transfers To/From Other Funds

Transfers to/from other funds during the fiscal year consisted of the following:

General Fund transfer to Capital Facilities Fund for RDA funds	$ 933,562
General Fund transfer to Self Insurance Fund for operating expenses	500,000
Total	$ 1,433,562

NOTE 5 – FUND BALANCES

At June 30, 2024, fund balances of the District's governmental funds were classified as follows:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable:			
Revolving cash	$ 35,000	$ 140	$ 35,140
Stores inventories	37,475	310,226	347,701
Prepaid expenditures	285,059	-	285,059
Total Nonspendable	357,534	310,366	667,900
Restricted:			
Categorical programs	36,422,984	-	36,422,984
Food service program	-	6,290,755	6,290,755
Capital projects	-	4,829,503	4,829,503
Debt service	-	3,012,622	3,012,622
Student activity	-	366,516	366,516
Total Restricted	36,422,984	14,499,396	50,922,380
Committed:			
Major maintenance expenditure	2,000,000	-	2,000,000
Technology infrastructure	6,800,000	-	6,800,000
Fire alarm repair/replacement	2,000,000	-	2,000,000
Textbook adoption	7,500,000	-	7,500,000
School site safety	1,000,000	-	1,000,000
Capital improvements	5,000,000	-	5,000,000
Deficit spending mitigation	16,025,279	-	16,025,279
Total Committed	40,325,279	-	40,325,279
Assigned:			
Economic uncertainties	9,814,814	-	9,814,814
Deferred maintenance program	8,230,288	-	8,230,288
Total Assigned	18,045,102	-	18,045,102
Unassigned:			
Remaining unassigned balances	7,038,179	-	7,038,179
Total Unassigned	7,038,179	-	7,038,179
Total	$ 102,189,078	$ 14,809,762	$ 116,998,840

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance, July 1, 2023	Additions	Deletions	Balance, June 30, 2024
Capital assets not being depreciated:				
Land	$ 3,152,399	$ -	$ -	$ 3,152,399
Construction in progress	20,013,534	9,129,081	17,622,598	11,520,017
Total capital assets not being depreciated	23,165,933	9,129,081	17,622,598	14,672,416
Capital assets being depreciated:				
Improvement of sites	30,576,817	18,622,674	-	49,199,491
Buildings	111,278,114	-	-	111,278,114
Equipment	9,545,428	1,804,308	281,115	11,068,621
Total capital assets being depreciated	151,400,359	20,426,982	281,115	171,546,226
Accumulated depreciation for:				
Improvement of sites	(14,026,078)	(1,588,717)	-	(15,614,795)
Buildings	(52,452,467)	(2,383,018)	-	(54,835,485)
Equipment	(5,835,945)	(602,464)	(281,115)	(6,157,294)
Total accumulated depreciation	(72,314,490)	(4,574,199)	(281,115)	(76,607,574)
Total capital assets being depreciated, net	79,085,869	15,852,783	-	94,938,652
Leased Assets:				
Equipment leases	921,930	-	-	921,930
Accumulated amortization for:				
Equipment leases	(368,772)	(184,386)	-	(553,158)
Total leased assets, net	553,158	(184,386)	-	368,772
Subscription assets:				
IT Subscriptions	406,010	223,944	-	629,954
Accumulated amortization for:				
IT Subscriptions	(49,083)	(139,692)	-	(188,775)
Total subscription assets, net	356,927	84,252	-	441,179
Governmental activities capital assets, net	$ 103,161,887	$ 24,881,730	$ 17,622,598	$ 110,421,019

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the year ended June 30, 2024, were as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amount Due Within One Year
General Obligation Bonds:					
Principal	$ 28,339,127	$ -	$ 760,000	$ 27,579,127	$ 860,000
Accreted Interest Component	4,114,243	500,960	-	4,615,203	-
Unamortized Issuance Premium	803,417	-	49,953	753,464	49,953
Subtotal Bonds	33,256,787	500,960	809,953	32,947,794	909,953
Lease Liability	485,542	-	193,330	292,212	199,837
Subscription Based IT Arrangements	-	223,944	42,494	181,450	43,612
Compensated Absences	622,004		7,750	614,254	-
Private Placement Debt					
2022 GO Refunding - First Foundation	12,535,000	-	565,000	11,970,000	610,000
Totals	$ 46,899,333	$ 724,904	$ 1,618,527	$ 46,005,710	$ 1,763,402

Payments for general obligation bonds (including private placement bonds) are made by the Bond Interest and Redemption Fund. Payments for compensated absences are typically liquidated in the fund for which the employee worked. Payments for leases and subscription liabilities are made by the General Fund.

A. General Obligation Bonds

Election of 2005 (Measure O)
Bonds were authorized at an election of the registered voters of the District held on November 8, 2005, which authorized the issuance of $48,150,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2024, none of the defeased debt remains outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2024, deferred amounts on refunding were $1,815,304.

A summary of all bonds issued and outstanding at June 30, 2024 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2023	Issuances	Redemptions	Balance, June 30, 2024
Election of 2005 (Measure O)								
Series C	3/29/2012	8/1/2042	4.34% - 12.00%	$ 17,147,652	$ 4,994,127	$ -	$ -	$ 4,994,127
Refunding Bonds								
2018 Ref.	4/4/2018	8/1/2039	2.0% - 5.0%	24,510,000	23,345,000	-	760,000	22,585,000
					$ 28,339,127	$ -	$ 760,000	$ 27,579,127
Private Placement Refunding Bonds								
2022 Ref.	5/5/2022	8/1/2042	2.50%	12,690,000	$ 12,535,000	$ -	$ 565,000	$ 11,970,000
					$ 12,535,000	$ -	$ 565,000	$ 11,970,000
				Accreted Interest:				
				Convertible CABs	$ 4,114,243	$ 500,960	$ -	$ 4,615,203

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

A. General Obligation Bonds (continued)
The annual requirements to amortize general obligation bonds outstanding at June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Totals
2024-2025	$ 860,000	$ 887,086	$ 1,747,086
2025-2026	975,000	1,123,911	2,098,911
2026-2027	530,000	1,368,986	1,898,986
2027-2028	640,000	1,339,736	1,979,736
2028-2029	560,000	1,309,736	1,869,736
2029-2034	6,860,000	5,829,804	12,689,804
2034-2039	11,555,000	4,069,791	15,624,791
2039-2043	5,599,127	839,905	6,439,032
Totals	$ 27,579,127	$ 16,768,955	$ 44,348,082

B. Lease Liability
The District is involved in several leases for both equipment and facilities. The initial terms for these leases range from 36 to 60 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. Other key assumptions and policies can be found in Note 1.E.7. The related asset disclosures are presented in Note 6.

Fiscal Year	Principal	Interest	Totals
2024-2025	$ 199,837	$ 7,177	$ 207,014
2025-2026	92,375	1,275	93,650
Totals	$ 292,212	$ 8,452	$ 300,664

C. Subscription Based IT Arrangements
The District is involved in several arrangements for subscription based software. The initial terms for these subscriptions range from 24 to 36 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.E. The related asset disclosures are presented in Note 6.

Fiscal Year	Principal	Interest	Totals
2024-2025	$ 43,612	$ 3,532	$ 47,144
2025-2026	44,759	2,385	47,144
2026-2027	45,936	1,208	47,144
2027-2028	47,143	-	47,143
Totals	$ 181,450	$ 7,125	$ 188,575

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

D. Private Placement Debt

2022 General Obligation Refunding Bonds
On May 5, 2022, the District issued $12,690,000 of General Obligation Private Placement Refunding Bonds. The bonds bear a fixed interest rate of 2.5% with a maturity date of August 1, 2042. The net proceeds of $12,462,692 (after issuance costs) were used to prepay a portion of the 2005C General Obligation Bonds and a portion of the 2012 Refunding Bonds, and to pay costs of issuance of the refunding bonds. In the event of default, bond owners have the right to enforce all remedies available under the paying agent agreement.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased, and the related liability for the bonds has been removed from the District's liabilities. At June 30, 2024, none of the principal balance on the defeased debt remained outstanding.

2022 General Obligation Refunding Bonds (continued)

The total future payments owing at June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Totals
2024-2025	$ 610,000	$ 291,625	$ 901,625
2025-2026	660,000	275,750	935,750
2026-2027	710,000	258,625	968,625
2027-2028	755,000	240,313	995,313
2028-2029	805,000	220,813	1,025,813
2028-2033	1,005,000	945,688	1,950,688
2033-2038	50,000	925,000	975,000
2038-2043	7,375,000	591,313	7,966,313
Totals	$ 11,970,000	$ 3,749,127	$ 15,719,127

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2024, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 921,586	$ 117,560	$ 460,067	$ (5,736)
MPP Program	337,542	-	-	(59,968)
Total	$ 1,259,128	$ 117,560	$ 460,067	$ (65,704)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

The details of each plan are as follows:

District Plan

Plan description
The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided
The District moved to the CalPERS Medical Pool in 2022 which requires the employer to pay the PEMHCA minimum to retirees participating in a CalPERS medical plan. The District invoked the unequal contribution method under California Government Code 22892 as well as a 50-year service requirement under 22895 for future retirees to be eligible for these payments. Retirees at the time of the change were eligible to receive the PEMHCA minimum payments without 50 years of service. Lifetime benefits are offered and the district contribution is 100% up to a District cap of $15.70 in 2024 increasing to 5% of PEMHCA minimum ($157/month in 2024).

Employees covered by benefit terms
At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Active employees	842
Total	867

Total OPEB Liability
The District's total OPEB liability of $921,586 for the Plan was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024.

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2024
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

Discount Rate
The discount rate of 3.93 percent is based on the Bond Buyer 20 Bond Index.

Mortality Rates
The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS, the 2021 CalPERS Mortality table for Retired Miscellaneous Employees and the 2021 CalPERS Mortality table for Active Miscellaneous Employees. CalSTRS and CalPERS periodically study mortality for participating agencies and establish mortality tables that are modified versions of commonly used tables. These tables incorporate mortality projection as deemed appropriate based on analysis.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2023	$ 904,621
Changes for the year:	
Service cost	4,566
Interest	31,725
Differences between expected and actual experience	77,687
Changes of assumptions	(21,572)
Benefit payments	(75,441)
Net changes	16,965
Balance at June 30, 2024	$ 921,586

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 percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease	$ 1,058,840
Current discount rate	$ 921,586
1% increase	$ 811,603

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	$ 814,222
Current trend rate	$ 921,586
1% increase	$ 1,053,948

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2024, the District recognized OPEB expense of $(5,736). In addition, at June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 72,216	$ 245,988
Changes of assumptions	45,344	214,079
Total	$ 117,560	$ 460,067

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	$ 11,924	$ 53,951
2026	11,924	53,951
2027	11,924	53,951
2028	11,924	53,951
2029	11,924	53,951
Thereafter	57,940	190,312
Totals	$ 117,560	$ 460,067

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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, 2022 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2023, 4,457 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, 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.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability
At June 30, 2024, the District reported a liability of $337,542 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	Change Increase/ (Decrease)
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net OPEB Liability	0.111240%	0.120673%	-0.009433%

For the year ended June 30, 2024, the District reported OPEB expense of $(59,968).

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and
	5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population of 138,780.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2019) table issued by the Society of Actuaries.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Discount Rate
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, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

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, 2023, 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, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

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

Discount Rate	MPP OPEB Liability
1% decrease	$ 366,839
Current discount rate	$ 337,542
1% increase	$ 312,068

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	$ 310,572
Current trend rate	$ 337,542
1% increase	$ 367,990

NOTE 9 – PENSION PLANS

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

NOTE 9 – PENSION PLANS (continued)

For the fiscal year ended June 30, 2024, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 57,277,770	$ 21,003,563	$ 10,083,461	$ 8,276,118
CalPERS	35,072,600	18,049,736	4,744,355	6,351,683
Total	$ 92,350,370	$ 39,053,299	$ 14,827,816	$ 14,627,801

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, 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: https://www.calstrs.com/general-information/gasb-6768.

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 a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided (continued)
The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

Contributions
The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2024, are presented above, and the District's total contributions were $9,565,723.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2024, 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:		
District's proportionate share of net pension liability	$	57,277,770
State's proportionate share of the net pension liability associated with the District		27,443,390
Total	$	84,721,160

NOTE 9 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2023. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	Change Increase/ (Decrease)
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.075206%	0.080406%	-0.005200%

For the year ended June 30, 2024, the District recognized pension expense of $8,276,118. In addition, the District recognized pension expense and revenue of $(398,534) for support provided by the State. At June 30, 2024, 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	$ 9,565,723	$ -
Net change in proportionate share of net pension liability	6,359,920	7,018,810
Difference between projected and actual earnings on pension plan investments	245,172	-
Changes of assumptions	331,659	-
Differences between expected and actual experience	4,501,089	3,064,651
Total	$ 21,003,563	$ 10,083,461

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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 9 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	$ 1,488,464	$ 2,746,065
2026	1,261,212	3,753,828
2027	6,010,482	825,138
2028	870,799	825,138
2029	814,699	825,138
Thereafter	992,185	1,108,154
Total	$ 11,437,841	$ 10,083,461

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2019) table issued by the Society of Actuaries.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs to the process.

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	38.0%	5.25%
Real Estate	15.0%	4.05%
Private Equity	14.0%	6.75%
Fixed Income	14.0%	2.45%
Risk Mitigating Strategies	10.0%	2.25%
Inflation Sensitive	7.0%	3.65%
Cash/Liquidity	2.0%	0.05%

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. 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 expenses occur midyear. Based on those 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 the 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%)	$ 96,078,889
Current discount rate (7.10%)	$ 57,277,770
1% increase (8.10%)	$ 25,048,919

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 pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $4,389,632.

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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, 2022 annual actuarial valuation report, Schools Pool Accounting Report. 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/employers/actuarial-resources/gasb.

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

The CalPERS provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	26.68%	26.68%

Contributions
The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024 are presented above, and the total District contributions were $5,573,107.

NOTE 9 – PENSION PLANS (continued)

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

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

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,072,600. The net pension liability was measured as of June 30, 2023. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2024	**Fiscal Year Ending June 30, 2023**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.096889%	0.096088%	0.000800%

For the year ended June 30, 2024, the District recognized pension expense of $6,351,683. At June 30, 2024, 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	$ 5,573,107	$ -
Net change in proportionate share of net pension liability	1,629,003	-
Difference between projected and actual earnings on pension plan investments	7,951,947	4,205,691
Changes of assumptions	1,615,781	-
Differences between expected and actual experience	1,279,898	538,664
Total	$ 18,049,736	$ 4,744,355

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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

NOTE 9 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	$ 4,706,784	$ 2,393,686
2026	4,301,864	2,350,669
2027	3,303,365	-
2028	164,616	-
2029	-	-
Thereafter	-	-
Total	$ 12,476,629	$ 4,744,355

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

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.

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

Discount Rate
The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the 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 (5.9%)	$ 50,705,914
Current discount rate (6.9%)	$ 35,072,600
1% increase (7.9%)	$ 22,152,022

C. Social Security
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 Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2024, the District reported payables of $856,797 and $29,038 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.

NOTE 10 – JOINT VENTURES

The Morongo Unified School District participates in joint ventures under joint powers agreements with Southern California Schools Employee Benefit Association (SCSEBA), Schools Excess Liability Fund (SELF), and Southern California Schools Risk Management (SCSRM) public entity risk pools. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage as well as health and welfare benefits coverage. The JPAs are governed by a board consisting of a representative from each member district. The Board of Education controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the Board of Education. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Financial information for each JPA is separately available.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2024, the District had $2.1 million in commitments with respect to unfinished capital projects.

C. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2024.

NOTE 12 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. During fiscal year ending June 30, 2024, the District participated in the Schools Excess Liability Fund and Southern California Schools Risk Management public entity risk pools for property and liability insurance coverage.

Workers' Compensation
For fiscal year 2023-24, the District participated in Southern California Risk Management for workers' compensation.

Employee Medical Benefits
The District has contracted with CalPERS and Southern California Schools Employee Benefits Association to provide employee medical, vision, and dental benefits.

NOTE 13 – SUBSEQUENT EVENT

Oo November 5, 2024, the District passed Measure C, authorizing the issuance of $88,300,000 in bonds to repair or replace aging roofs; modernize/renovate classrooms, restrooms and school facilities; upgrade aging electrical systems; and improve outdated technology.

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Required Supplementary Information

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MORONGO UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund

For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	$ 103,359,438	$ 97,402,298	$ 99,980,965	$ 2,578,667
Federal Sources	25,313,571	31,740,402	21,253,405	(10,486,997)
Other State Sources	23,049,813	25,258,977	24,977,289	(281,688)
Other Local Sources	1,371,636	4,384,712	7,855,968	3,471,256
Total Revenues	153,094,458	158,786,389	154,067,627	(4,718,762)
Expenditures				
Current:				
Certificated Salaries	58,811,951	55,278,458	53,645,078	1,633,380
Classified Salaries	24,394,505	22,681,283	21,822,985	858,298
Employee Benefits	38,689,439	33,919,715	32,699,790	1,219,925
Books and Supplies	7,790,227	25,058,944	12,930,069	12,128,875
Services and Other Operating Expenditures	17,677,777	19,123,865	17,148,673	1,975,192
Capital Outlay	4,821,993	11,142,846	9,289,768	1,853,078
Other Outgo	(139,597)	(139,596)	(199,156)	59,560
Total Expenditures	152,046,295	167,065,515	147,337,207	19,728,308
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,048,163	(8,279,126)	6,730,420	15,009,546
Other Financing Sources and Uses				
Proceeds from SBITAs	-	-	223,944	223,944
Transfer Out	-	(1,433,563)	(1,433,562)	1
Total Other Financing Sources and Uses	-	(1,433,563)	(1,209,618)	223,945
Net Change in Fund Balance	1,048,163	(9,712,689)	5,520,802	15,233,491
Fund Balances, July 1, 2023	74,777,018	88,437,988	88,437,988	-
Fund Balances, June 30, 2024	$ 75,825,181	$ 78,725,299	93,958,790	$ 15,233,491

Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:	
Deferred Maintenance Fund	8,230,288
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 102,189,078

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS

For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

Employer's Fiscal Year **Measurement Period**	**2023-24** **2022-23**	**2022-23** **2021-22**	**2021-22** **2020-21**	**2020-21** **2019-20**	**2019-20** **2018-19**
District's proportion of the net pension liability	0.0752%	0.0804%	0.0757%	0.0779%	0.0763%
District's proportionate share of the net pension liability	$ 57,277,770	$ 55,870,848	$ 34,445,854	$ 75,448,447	$ 68,908,575
State's proportionate share of the net pension liability associated with the District	27,443,390	27,979,902	17,331,818	38,893,683	37,594,228
Totals	$ 84,721,160	$ 83,850,750	$ 51,777,672	$ 114,342,130	$ 106,502,803
District's covered-employee payroll	$ 47,241,247	$ 46,986,432	$ 42,509,586	$ 42,805,684	$ 41,368,925
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.25%	118.91%	85.80%	176.26%	166.57%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%

Employer's Fiscal Year **Measurement Period**	**2018-19** **2017-18**	**2017-18** **2016-17**	**2016-17** **2015-16**	**2015-16** **2014-15**	**2014-15** **2013-14**
District's proportion of the net pension liability	0.0702%	0.0781%	0.0760%	0.0760%	0.0720%
District's proportionate share of the net pension liability	$ 64,501,730	$ 72,209,767	$ 61,469,560	$ 51,317,105	$ 42,153,464
State's proportionate share of the net pension liability associated with the District	36,930,257	42,718,688	34,998,676	27,141,019	25,454,337
Totals	$ 101,431,987	$ 114,928,455	$ 96,468,236	$ 78,458,124	$ 67,607,801
District's covered-employee payroll	$ 38,451,185	$ 40,322,409	$ 37,465,079	$ 45,270,304	$ 38,178,242
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.75%	179.08%	164.07%	113.36%	110.41%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalPERS

For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

Employer's Fiscal Year **Measurement Period**	**2023-24** **2022-23**	**2022-23** **2021-22**	**2021-22** **2020-21**	**2020-21** **2019-20**	**2019-20** **2018-19**
District's proportion of the net pension liability	0.0969%	0.0961%	0.0904%	0.0890%	0.0887%
District's proportionate share of the net pension liability	$ 35,072,600	$ 33,063,057	$ 18,376,467	$ 27,294,615	$ 25,853,268
District's covered-employee payroll	$ 17,242,467	$ 15,254,238	$ 13,598,164	$ 13,498,590	$ 13,161,865
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.41%	216.75%	128.75%	202.20%	196.43%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%

Employer's Fiscal Year **Measurement Period**	**2018-19** **2017-18**	**2017-18** **2016-17**	**2016-17** **2015-16**	**2015-16** **2014-15**	**2014-15** **2013-14**
District's proportion of the net pension liability	0.0868%	0.0901%	0.0904%	0.0897%	0.0887%
District's proportionate share of the net pension liability	$ 23,145,121	$ 21,501,450	$ 17,854,056	$ 13,222,512	$ 10,072,581
District's covered-employee payroll	$ 12,456,423	$ 13,004,853	$ 9,674,441	$ 9,737,732	$ 10,810,294
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	185.81%	165.33%	184.55%	135.79%	93.18%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions-CalSTRS

For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	$ 9,565,723	$ 9,023,078	$ 7,950,104	$ 6,865,298	$ 7,319,772
Contributions in relation to the contractually required contribution	9,565,723	9,023,078	7,950,104	6,865,298	7,319,772
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 50,082,317	$ 47,241,247	$ 46,986,432	$ 42,509,586	$ 42,805,684
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	16.92%	16.15%	17.10%

Employer's Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 6,734,861	$ 5,548,506	$ 5,072,559	$ 4,020,003	$ 3,149,705
Contributions in relation to the contractually required contribution	6,734,861	5,548,506	5,072,559	4,020,003	3,149,705
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 41,368,925	$ 38,451,185	$ 40,322,409	$ 37,465,079	$ 45,270,304
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	6.96%

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years

Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	$ 5,573,107	$ 4,374,414	$ 3,494,746	$ 2,814,820	$ 2,662,057
Contributions in relation to the contractually required contribution	5,573,107	4,374,414	3,494,746	2,814,820	2,662,057
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 20,888,707	$ 17,242,467	$ 15,254,238	$ 13,598,164	$ 13,498,590
Contributions as a percentage of covered-employee payroll	26.680%	25.370%	22.910%	20.700%	19.721%

Employer's Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 2,377,296	$ 1,934,607	$ 1,806,114	$ 1,146,131	$ 1,215,077
Contributions in relation to the contractually required contribution	2,377,296	1,934,607	1,806,114	1,146,131	1,215,077
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 13,161,865	$ 12,456,423	$ 13,004,853	$ 9,674,441	$ 9,737,732
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	12.478%

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years*

Employer's Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Total OPEB liability							
Service cost	$ 4,566	$ 4,444	$ 126,356	$ 122,231	$ 184,183	$ 171,314	$ 166,729
Interest	31,725	33,076	36,852	35,859	65,810	59,916	60,221
Changes of benefit terms	-	-	(541,480)	-	-	-	-
Differences between expected and actual experience	77,687	-	(3,567)	-	(407,606)	-	-
Changes of assumptions or other inputs	(21,572)	(15,579)	(235,101)	4,732	37,083	38,492	-
Benefit payments	(75,441)	(98,889)	(88,804)	(88,675)	(109,008)	(106,471)	(102,376)
Net change in total OPEB liability	16,965	(76,948)	(705,744)	74,147	(229,538)	163,251	124,574
Total OPEB liability - beginning	904,621	981,569	1,687,313	1,613,166	1,842,704	1,679,453	1,554,879
Total OPEB liability - ending	$ 921,586	$ 904,621	$ 981,569	$ 1,687,313	$ 1,613,166	$ 1,842,704	$ 1,679,453
Covered-employee payroll	$ 63,487,573	$ 61,788,392	$ 60,134,688	$ 58,525,244	$ 56,958,875	$ 55,434,429	$ 53,950,782
Total OPEB liability as a percentage of covered-employee payroll	1.45%	1.46%	1.63%	2.88%	2.83%	3.32%	3.11%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years*

Employer's Fiscal Year **Measurement Period**	**2023-24** **2022-23**	**2022-23** **2021-22**	**2021-22** **2020-21**	**2020-21** **2019-20**	**2019-20** **2018-19**	**2018-19** **2017-18**	**2017-18** **2016-17**
District's proportion of net OPEB liability	0.1112%	0.1207%	0.1138%	0.1180%	0.1179%	0.1104%	0.1243%
District's proportionate share of net OPEB liability	$ 337,542	$ 397,510	$ 453,816	$ 500,020	$ 439,139	$ 422,438	$ 522,830
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

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 adoptions 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 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.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions **-** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District 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.

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, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.65 percent to 3.93 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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. 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.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.

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Supplementary Information

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2024

	As reported to CDE	
	Second Period Report	**Annual Report**
Regular ADA:		
Grades TK-3	2,286.91	2,280.56
Grades 4-6	1,561.73	1,554.62
Grades 7-8	954.32	945.34
Grades 9-12	1,835.98	1,808.32
Total ADA	6,638.94	6,588.84

	As Audited	
	Second Period Report	**Annual Report**
Regular ADA:		
Grades TK-3	2,285.70	2,279.22
Grades 4-6	1,561.73	1,554.62
Grades 7-8	954.32	945.34
Grades 9-12	1,835.98	1,808.32
Total ADA	6,637.73	6,587.50

See accompanying note to supplementary information.

MORONGO UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2024

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	52,560	180	Complied
Grade 1	50,400	52,560	180	Complied
Grade 2	50,400	52,560	180	Complied
Grade 3	50,400	52,560	180	Complied
Grade 4	54,000	54,360	180	Complied
Grade 5	54,000	54,360	180	Complied
Grade 6	54,000	54,360	180	Complied
Grade 7	54,000	65,160	180	Complied
Grade 8	54,000	65,160	180	Complied
Grade 9	64,800	65,160	180	Complied
Grade 10	64,800	65,160	180	Complied
Grade 11	64,800	65,160	180	Complied
Grade 12	64,800	65,160	180	Complied

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2024

General Fund	(Budget) 2025	2024 [2]	2023	2022
Revenues and other financing sources	$ 138,112,177	$ 154,067,627	$ 163,215,611	$ 126,734,419
Expenditures and other financing uses	148,888,612	148,770,769	129,967,009	113,723,881
Change in fund balance (deficit)	(10,776,435)	5,296,858	33,248,602	13,010,538
Ending fund balance	$ 82,958,411	$ 93,734,846	$ 88,437,988	$ 55,189,386
Available reserves [1]	$ 13,124,404	$ 7,038,179	$ 4,249,554	$ 3,400,132
Available reserves as a percentage of total outgo	8.8%	4.7%	3.3%	3.0%
Total long-term debt	$ 137,851,806	$ 139,615,208	$ 137,135,369	$ 102,472,836
Average daily attendance at P-2	6,674	6,639	6,596	6,594

The General Fund balance has increased by $38.5 million over the past two years. The fiscal year 2024-25 adopted budget projects a decrease of $10.8 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in none of the past three years, but anticipates incurring an operating deficit during the 2024-25 fiscal year. Long-term debt has increased by $37.1 million over the past two years.

Average daily attendance increased by 45 ADA compared to 2021-22. Budgeted ADA for fiscal year 2024-25 is 6,674.

[1] Available reserves consist of all unassigned fund balances in the General Fund and amounts assigned for Economic Uncertainties.

[2] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

	General Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
June 30, 2024, annual financial and budget report (SACS) fund balances	$ 91,868,557	$ 8,103,061	$ 4,597,164	$ 2,950,584
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
FMV decrease to cash overstated	2,090,233	127,227	74,309	62,038
June 30, 2024, audited financial statement fund balances	$ 93,958,790	$ 8,230,288	$ 4,671,473	$ 3,012,622

MORONGO UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
Federal Programs:				
U.S.Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program (needy)	10.553	13526	$ 1,348,669	
National School Lunch Program	10.555	13523	3,982,686	
Supply Chain Assistance	10.555	15655	204,824	
Local food for schools	10.555	15708	56,845	
USDA Donated Foods	10.555	N/A	562,485	
Total Child Nutrition Cluster				$ 6,155,509
Passed through California Dept. Social Services:				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13393	429,712	
CACFP in Lieu of Commodities	10.558	13389	179,809	
Total Child and Adult Care Food Program				609,521
Fresh Fruit and Vegetable Program	10.582	14968		153,293
Total U.S.Department of Agriculture				6,918,323
U.S. Department of Defense:				
Education Activity Grant	12.030	N/A		121,146
Total U.S. Department of Defense				121,146
U.S.Department of Education:				
Federal Impact Aid	84.041	N/A		1,714,040
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,097,772	
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	349,519	
Total Title I, Part A Grants				4,447,291
Title II, Part A, Teacher Quality Local	84.367	14341		572,848
Title III, Limited English Proficiency	84.365	14346		49,749
Title V, Part B, Rural & Low Income School Program	84.358	14356		328,471
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		318,890
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14893		109,283
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,403,391	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	6,787,095	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	2,696,104	
ASES Rate Increase: ESSER III State Reserve Summer Learning Prog	84.425U	15652	392,825	
American Rescue Plan - Homeless Children and Youth II	84.425U	15566	6,052	
Total Education Stabilization Fund				11,285,467
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,918,534	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	85,468	
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	84,019	
Special Ed: Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	8,996	
ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	789	
ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	11,241	
Total Special Education (IDEA) Cluster				2,109,047
IDEA Early Intervention Grants, Part C	84.181	23761		74,070
Passed through the Department of Rehabilitation:				
Workability II, Transition Partnership	84.126	10006		123,102
Total U.S.Department of Education				21,132,258
Total Expenditures of Federal Awards				$ 28,171,727

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

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

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

Other Information

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The Morongo Unified School District was established in 1958. The District boundaries encompass an area of approximately 1,358 square miles in the Mojave Desert in San Bernardino County. The District serves the communities of Morongo Valley, the Town of Yucca Valley, Pioneertown, Landers, Joshua Tree, the City of Twentynine Palms, and the Marine Corps Air Ground Task Force Training Center at Twentynine Palms. The District currently operates eleven elementary schools, two middle schools, two comprehensive high schools, one continuation high school, and an independent study program. There were no boundary changes during the year.

BOARD OF EDUCATION

Member	Office	Term Expires
Robert Hamilton	President	2024
Kerri Condley	Clerk	2024
Christopher Claire	Member	2026
John Cole	Member	2024
Roberta Meyers	Member	2026

DISTRICT ADMINISTRATORS

Dr. Patricio Vargas,
Superintendent

Sharon Flores,
Assistant Superintendent, Business Services

Amy Woods,
Assistant Superintendent, Secondary Education

Dr. Gracie Gutierrez,
Assistant Superintendent, Elementary Education

Stacy Smalling,
Assistant Superintendent, Human Resources

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Other Independent Auditors' Reports

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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Morongo Unified School District
Twentynine Palms, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morongo Unified School District as of and for the year ended June 30, 2024, 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, 2024.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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.

Nigro & Nigro, PC

Murrieta, California
December 11, 2024

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

Board of Education
Morongo Unified School District
Twentynine Palms, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited the Morongo Unified School District's 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 Morongo Unified School District's major federal programs for the year ended June 30, 2024. The Morongo Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Morongo Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Morongo Unified School 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 Morongo Unified School 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 Morongo Unified School District's federal program.

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Auditors' 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 Morongo Unified School 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 generally accepted auditing standards, 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 Morongo Unified School District’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 Morongo Unified School 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 Morongo Unified School 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 Morongo Unified School 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.

Nigro & Nigro, PC

Murrieta, California
December 11, 2024

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NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Morongo Unified School District
Twentynine Palms, California

Report on Compliance

Opinion

We have audited the Morongo Unified School District's (District) compliance with the requirements specified in the *2023-24 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, 2024.

In our opinion, Morongo Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2024.

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, and the *2023-24 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 Morongo Unified School District's state programs.

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Auditors' 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 *2023-24 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 that 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 *2023-24 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 *2023-24 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:

Description	**Procedures Performed**
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
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

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	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

Areas marked as "Not Applicable" were not operated by the District.

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 in the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as Finding 2024-001. Our opinion on each state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 11, 2024

Schedule of Findings and Questioned Costs

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Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) 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 the Uniform Guidance, Section 200.516(a)?	No

Identification of major programs:

Assitance Listing Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A Grants
84.041	Federal Impact Aid

Dollar threshold used to distinguish between Type A and Type B programs:	$ 845,152
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditor's report issued on compliance for state programs:	Unmodified

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2023-24.

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2023-24.

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2024-001: Immunizations (40000)

Repeat Finding? No

Criteria: Each pupil attending a District school offering TK or Kindergarten must have a California Pre-Kindergarten and School Immunization Record, CDPH Form 286 (January 2019) on file. Pupil are required to have two doses of a varicella vaccine and two doses of a measles vaccine as required by Title 17, California Code of Regulations section 6025 prior to admission, or have a current medical exemption from varicella and measles immunization on file. If the pupil had only one dose of either vaccine prior to admission, the second dose must be received within four calendar months after the first dose. If the pupil had only one dose of either vaccine prior to admission and did not have a second dose within four calendar months, the pupil must be excluded from attendance.

Condition: During our testing of immunizations, we noted two students that did not receive a second dose after admission or four months succeeding the first day of attendance.

Context: Exceptions were noted for two students out of a sample of 10 students tested.

Cause: The District failed to exclude attendance for the students without the required immunizations.

Effect: Attendance for kindergarten has been overstated by 1.21 ADA on the P2 and 1.34 on the Annual report. This results in a questioned cost of $16,764, based on the derived value of ADA.

Recommendation: We recommend that the District actively monitor immunization records end verify that attendance claimed is only for students who have received the required vaccines.

Views of Responsible Officials: The District will actively monitor compliance with immunization records and attendance reporting to ensure that only allowable ADA is reported.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2023-001: School Accountability Report Card Repeat of finding 2022-003	In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year. The SARC for Yucca Valley indicated a "Good" rating in all categories. The corresponding FIT form indicated “Fair” for the categories of interior and electrical.	72000	We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public.	Implemented.

Board of Education
Morongo Unified School District
Twentynine Palms, California

In planning and performing our audit of the basic financial statements of Morong Unified School District for the year ending June 30, 2024, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2024 on the financial statements of Morongo Unified School District.

ASSOCIATED STUDENT BODY FUNDS

Observation: During our inquiry, the bookkeeper at Twentynine Palms Jr High indicated that the ASB software could not be used. Therefore, official financial statements were not being prepared and transactions were starting to be tracked in excel mid-year. Furthermore, bank reconciliations are not being prepared and the bookkeeper only had copies of a few months' worth of bank statements. ASB activity had essentially been on hold for the first several months of the year, with no purchases made, although cash collections were still occurring and were not being deposited timely.

> **Recommendation:** We recommend that the District work with the site to implement a process for regular financial reporting and preparation of bank reconciliations. In addition, all cash collections should be deposited in a timely manner to reduce risk of theft or loss.

We will review the status of the current year comments during our next audit engagement.

Nigro + Nigro, PC

Murrieta, California
December 11, 2024

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series 2025 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2025 Bonds in substantially the following form:

[Date of Delivery]

Morongo Unified School District
Morongo, California

Morongo Unified School District
(San Bernardino County, California)
General Obligation Bonds, Election of 2024, Series 2025
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Morongo Unified School District (the "District"), which is located in San Bernardino County (the "County"), in connection with the issuance by the District of $__________ aggregate principal amount of bonds designated as "Morongo Unified School District (San Bernardino County, California) General Obligation Bonds, Election of 2024, Series 2025" (the "Series 2025 Bonds"), representing part of an issue in the aggregate principal amount of $88,300,000 authorized at an election held in the District on November 5, 2024. The Series 2025 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on March 11, 2025 (the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Series 2025 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Series 2025 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2025 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery of each such document by each party thereto other than the District and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2025 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2025 Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the District or the County in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated __________, 2025, or other offering material relating to the Series 2025 Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2025 Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2025 Bonds and the interest thereon.

4. Interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2025 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Series 2025 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2025 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Morongo Unified School District (the "District") in connection with the issuance of $__________ aggregate principal amount of Morongo Unified School District (San Bernardino County, California) General Obligation Bonds, Election of 2024, Series 2025 (the "Series 2025 Bonds"). The Series 2025 Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on March 11, 2025 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Series 2025 Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2025 Bonds (including persons holding Series 2025 Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and 5(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean the person in whose name any Series 2025 Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated __________, 2025 (including all exhibits or appendices thereto), relating to the offer and sale of Series 2025 Bonds.

“Participating Underwriter” shall mean the original underwriter(s) of the Series 2025 Bonds required to comply with the Rule in connection with offering of the Series 2025 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which due date shall be March 31 of each year, so long as the District’s fiscal year ends on June 30), commencing with the report for the 2024-25 Fiscal Year (which is due not later than March 31, 2026), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Series 2025 Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then-current fiscal year;

(ii) Assessed value of taxable property in the District for the then-current fiscal year as shown on the most recent equalized assessment roll;

(iii) If San Bernardino County (the "County") no longer includes the tax levy for payment of the Series 2025 Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year; and

(iv) Top twenty property owners in the District for the then-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 provided by the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2025 Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the District; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2025 Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2025 Bonds or other material events affecting the tax status of the Series 2025 Bonds;

(ii) modifications to rights of Series 2025 Bond Holders;

(iii) Series 2025 Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Series 2025 Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Series 2025 Bond Holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2025 Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of "Financial Obligation" in Section 2, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2025 Bonds. If such termination occurs prior to the final maturity of the Series 2025 Bonds, the District shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Series 2025 Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2025 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2025 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series 2025 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2025 Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2025 Bonds, and shall create no rights in any other person or entity.

Section 14. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Disclosure Certificate may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent, that, if such party signs this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate, and that signing this Disclosure Certificate using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Certificate on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Certificate in a usable format.

Dated: __________, 2025

MORONGO UNIFIED SCHOOL DISTRICT

By: ____________________________________

ACCEPTED AND AGREED TO:

ISOM ADVISORS, A DIVISION OF URBAN FUTURES, INC., as Dissemination Agent

By: ____________________________________

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	MORONGO UNIFIED SCHOOL DISTRICT
Name of Issue:	Morongo Unified School District (San Bernardino County, California) General Obligation Bonds, Election of 2024, Series 2025
Date of Issuance:	__________, 2025

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Series 2025 Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated __________, 2025. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

MORONGO UNIFIED SCHOOL DISTRICT

APPENDIX E

SAN BERNARDINO COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL

In accordance with California Education Code Section 41001, substantially all District operating funds are required to be held by the Treasurer/Tax Collector (the "County Treasurer") of San Bernardino County (the "County"). Included as part of this Appendix E is the Investment Policy of the County, dated July 9, 2024 and the County Pool Summary as of February 28, 2025, relating to certain information with respect to the County investment pool. These documents describe (i) the County policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other local agencies held by the County Treasurer, and (ii) the composition, carrying amount, market value and other information relating to the County investment pool. Further information may be obtained directly from the Treasurer/Tax Collector, 268 West Hospitality Lane, First Floor, San Bernardino, CA 92415-0360.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County investment pool and neither has made an assessment of the current Investment Policy. The value of the various investments in the investment pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the investment pool will not vary significantly from the values described herein.

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**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

July 9, 2024

FROM
ENSEN MASON, Auditor-Controller/Treasurer/Tax Collector

SUBJECT
Treasurer's Statement of Investment Policy

RECOMMENDATION(S)
Approve the Treasurer's Statement of Investment Policy pursuant to California Government Code section 53646(a)(1).
(Presenter: John Johnson, Assistant Auditor-Controller/Treasurer/Tax Collector, 382-7005)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES
Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT
Approval of this item will not impact Discretionary General Funding (Net County Cost) as it is non-financial in nature.

BACKGROUND INFORMATION
Pursuant to California Government Code section 53646(a)(1), the County Treasurer may annually render to the Board of Supervisors (Board), and any oversight committee, a statement of investment policy, which the Board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the Board at a public meeting. The purpose of the investment policy is to establish cash management and investment guidelines for the Treasurer, who is responsible for the management and investment of the County Treasury Pool.

On June 27, 2023 (Item No. 34), the Board approved the Treasurer's Statement of Investment Policy. On June 18, 2024, the Treasury Oversight Committee (TOC) reviewed revisions to the County Investment Policy as recommended by the Treasurer and noted no exceptions to the Treasurer's recommendations outlined below.

Section 18.0 Security Custody & Delivery

1. References to confirmation receipts revised to trade tickets to align with current operations.

Prior to the review by the TOC, the requested policy revisions were reviewed by the Treasurer's Investment Advisor, PFM Asset Management. The requested revisions were also reviewed by Fitch Ratings, the rating agency that rates the Treasury Pool, for consistency with Fitch's AAAf/S1 ratings guidelines.

The recommended action will approve the attached Treasurer's Statement of Investment Policy.

PROCUREMENT
Not applicable.

REVIEW BY OTHERS
This item has been reviewed by County Counsel (Kristina Robb, Deputy County Counsel, 387-5455) on May 17, 2024; Finance (Penelope Chang, Administrative Analyst, 387-4886) on May 28, 2024; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on June 18, 2024.

Treasurer’s Statement of Investment Policy
July 9, 2024

Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr.   Seconded: Curt Hagman
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY Lynna Monell
DATED: July 9, 2024

BOARD OF SUPERVISORS SAN BERNARDINO COUNTY, CA

cc: File - Auditor-Controller/Treasurer/Tax Collector w/ attachment

JLL 07/19/2024

Treasurer's Investment Policy

July 9

2024

Annual Statement of Investment Policy

AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
SAN BERNARDINO COUNTY

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 July 9, 2024

TABLE OF CONTENTS

1.0 INTRODUCTION:

San Bernardino County (County) has a fiduciary responsibility to maximize the productive use of its liquidassets 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 systematicinvestment 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 forthe 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 dailycash 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 exactand complete nomenclature of the underlying securities purchased, that these securities have been sold to theCounty under a repurchase agreement, and the stipulated date and amount of the resale by the County back tothe seller of the securities.

19.0 COMPETITIVE PRICING:
Investment transactions are to be made at current market prices. When possible, competitive prices should be obtained through multiple bids or offers and documented on the trade ticket or other written forms. When possible, bids and offers for any investment security should be taken from a minimum of three security broker/dealers or banks and awards should be made to the best offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g., commercial paper and certificates of deposit), market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other issuers.

20.0 MITIGATING MARKET & CREDIT RISKS:
Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the credit ratings issued by Standard & Poor's, Moody's and/or Fitch rating services on the credit worthiness of each issuer of securities, by limiting the duration of investments to the time frames noted in Schedule I, and by maintaining the diversification and liquidity standards expressed within this policy.

21.0 LIQUIDITY:
The effective duration of the portfolio shall not exceed 3.0 years. Maturing securities, expected net inflows and outflows are expected to provide sufficient liquidity to meet daily expenditure requirements for the following 12 months.

22.0 PERFORMANCE EVALUATION:
Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, yield and total return, and performance attribution. The portfolio shall be designed to earn a market rate of investment income in relationship to our budgetary needs and economic developments**.**

In the event of a downgrade of a security held in the portfolio, the Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

23.0 TRADING & EARLY SALE OF SECURITIES:
Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the total return of the portfolio, securities may be sold prior to maturity, either at a profit or loss, when market conditions or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost as per the County's books of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date to the date of sale. However, the sale of a security at a loss can only be made with the approval of the County Treasurer or his designee.

24.0 PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:
Purchases of securities for forward settlement are only authorized as long as the intent of the purchase is to hold them in the portfolio and not for speculative trading, sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date, there is the ability at purchase to hold them in the portfolio to maturity without violating any of the diversification/maturity limits of this policy, and the forward settlement period does not exceed 21 days.

25.0 PORTFOLIO REPORTS/AUDITING:
On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, Chief Executive Officer, Chief Deputy Auditor, Superintendent of Schools and Treasury Oversight Committee a report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, and par value and stating the book vs. current market value together with all other portfolio information required by law.
- Compliance of investments to the existing IPS.
- A statement confirming the ability of the Pool to meet anticipated cash requirements for the next six months.

All security holdings shall be reconciled no less than monthly by the County Treasurer and, in accordance with California Government Code Sections **26920** and **26922**, audited at least annually by an independent certified public accounting firm selected in accordance with County procurement policy.

26.0 TREASURY OVERSIGHT COMMITTEE:
In accordance with California Government Code Section **27131**, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

- Review the Treasurer's annual IPS and any subsequent changes thereto prior to submission to the Board of Supervisors for review and adoption.
- Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy.
- Cause an annual audit to be conducted of the Treasury Oversight Committee in accordance with California Government Code Section **27134**.

The Treasury Oversight Committee shall receive a copy of every Audit Report as prepared by an independent certified public accounting firm(s). Such reports are made in accordance with the California Government Code Sections **26920** and **26922** and County Board of Supervisor's resolution dated July 6, 1971, and which includes an evaluation of investments for compliance with California Government Code Section **53601** and **53635**.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act.

By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury. Members of the Oversight Committee are prohibited from accepting gifts or gratuities from investment advisors, brokers, dealers, bankers, or other persons with whom the county treasury conducts business.

27.0 QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:
All moneys deposited in the pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. It is the intent of this policy to safeguard and maintain the principal value of funds invested and to minimize "paper losses" caused by changes in market value. Nonetheless, actual portfolio income and/or losses, and net of any reserves, will be distributed quarterly among those participants sharing in pooled investment income in compliance with the California Government Code. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

28.0 QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:
Prior to the quarterly apportionment of pooled fund investment earnings, the County Treasurer is permitted, pursuant to the California Government Code, to deduct from investment earnings the actual cost of the investments, auditing, depositing, handling, and distribution of such income. Accordingly, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, wire transfers, custodial safekeeping charges, building remodeling costs and other capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer/Tax Collector's office engaged in the administration, investment, auditing, 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 **53601(b)**	100%	None		5 years and 6 months	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by an agency of the Federal Government or U.S. government-sponsored enterprises **53601(f)**	100%	Senior debt only (Max 10% of portfolio in new issue agency par callable securities)		5 years and 6 months for senior unsecured debt 7 years and 3 months (for agency mortgage-backed securities only)	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, the International Finance Corporation, and/or the Inter-American Development Bank **53601(q)**	30%	US Dollar denominated Senior Unsecured debt only		5 years	AA by at least one rating agency*
Bonds, notes, warrants or certificates of indebtedness issued by agencies of and/or within San Bernardino County **53601(e)**	10%	With approval of Treasurer		5 years	AAA by at least 2 of the 3 rating agencies*
Commercial paper of U.S. Corps with total assets in excess of $500 MM **53635(a)(1)**	40% total for all Commercial Paper	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*

Asset-backed Commercial Paper **53635(a)(1)**	40% total for all Commercial Paper	Issuer must have program-wide credit enhancements		270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Negotiable CDs issued by approved banks **53601(i)**	30%	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		3 years and 2 months (38 months) from settlement date	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 short-term rating or long-term letter rating of A- and/or A3, or higher (if rated)*
Collateralized Certificates of Deposit **53630 et. seq. and 53601(n)**	10%	As stipulated in Article 2, Section 53630 et al. of the Calif. Govt. Code		1 year from settlement date	See Section 53630 et al. of the California Government Code
Repurchase Agreements with 102% collateral **53601(j)**	40%	Repurchase Agreements (contracts) must be on file		180 days	Restricted to Primary Dealers on Eligible Broker/Dealer List
Reverse Repurchase Agreements **53601(j)**	10%	See Schedule II		92 days (See Schedule II)	Restricted to Primary Dealers on Eligible Broker/Dealer List
Medium Term Notes of U.S. Corporations & Depository Institutions and/or Corporate or Bank notes **53601(k)**	20% (shall not exceed 15% over 13 months)	Subject to 5% overall corporate issuer limit.		3 years and 2 months (38 months) from settlement date	Rated long-term A- and/or A3, or higher by at least 2 of the 3 rating agencies*
Asset-Backed Securities **53601(o)**	15%	Subject to 5% overall special purpose entity** limit		5 years	As per Section 53601(o) of the California Government Code
FDIC Insured Deposit Accounts Authorized under California Government Code **53601.8 & 53635.8**	5%	Max $100MM per selected depository institution. Max $100MM per placement service		Term Deposits not permitted	Not Applicable
JPA Investment Pools authorized under California Government Code Section **53601(p)**	5%	JPA Pool Maintain Constant Net Asset Value (NAV)		Immediate Liquidity	AAA by at least one rating agency*
Money Market mutual funds that meet requirements of California Government Code **53601(l) and 53601.6(b)**	20%	Registered with SEC. No NAV adjustments. No loads. Max 10% per fund.		Immediate Liquidity	AAA by at least 2 of the 3 rating agencies*

* 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 qualifyunder 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 FederalGovernment but involve Federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE'S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

Federal National Mortgage Association (FNMA)
Federal Home Loan Bank (FHLB)
Federal Farm Credit Bank (FFCB)
Federal Home Loan Mortgage Corporation (FHLMC)

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INVERSE FLOATERS – Floating rate notes that pay interest in inverse relationship to an underlying index.

LIQUID – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THRU SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

POOL – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

PRIMARY DEALER – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e., brokers).

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES LENDING – A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SPECIAL PURPOSE ENTITY (or TRUST) - A legally separated pass-through entity, trust or equivalent that makes its obligation secure and independent from the parent entity. This term is used to define purchase of Asset-Backed Securities at either the depositor or master trust level.

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WHEN-ISSUED SECURITIES – A security traded before it receives final trading authorization with the investor receiving the certificate/security only after the final approval is granted.

YIELD – The gain, expressed as a percentage that an investor derives from a financial asset.

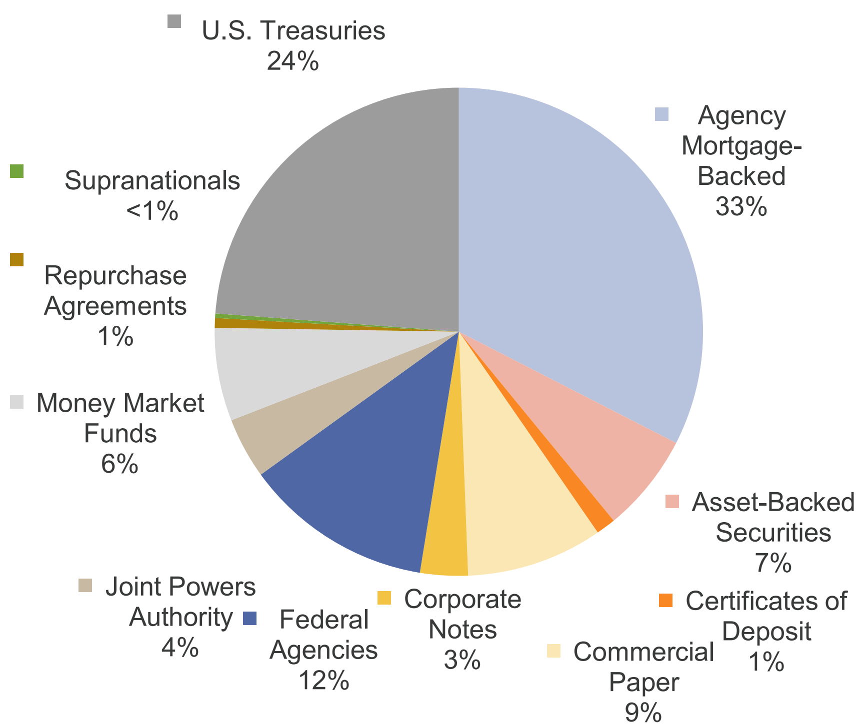
YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

San Bernardino County Pool Summary (as of 2/28/2025)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Effective Duration
Agency Mortgage-Backed	5,056,878,490	4,968,619,933	5,018,848,918	32.5%	4.54%	1472	3.56
Asset-Backed Securities	1,006,239,844	1,006,142,681	1,010,463,134	6.5%	4.89%	1013	0.85
Certificates of Deposit	200,000,000	200,000,000	199,935,800	1.3%	4.37%	93	0.25
Commercial Paper	1,406,335,000	1,393,122,456	1,393,134,013	9.0%	4.38%	78	0.21
Corporate Notes	484,000,000	483,947,767	485,355,792	3.1%	4.35%	299	0.72
Federal Agencies	1,972,052,000	1,934,354,646	1,928,612,396	12.5%	3.56%	351	0.92
Joint Powers Authority	626,000,000	626,000,000	626,000,000	4.1%	4.50%	1	0.00
Money Market Funds	950,000,000	950,000,000	950,000,000	6.2%	4.26%	1	0.00
Repurchase Agreements	100,000,000	100,000,000	100,000,000	0.6%	4.32%	6	0.02
Supranationals	45,000,000	44,992,267	45,034,990	0.3%	4.27%	326	0.85
U.S. Treasuries	3,775,000,000	3,664,578,530	3,671,938,875	23.8%	3.76%	631	1.62
Total Securities	**15,621,505,334**	**15,371,758,279**	**15,429,323,918**	**100.0%**	**4.21%**	**758**	**1.76**
Cash Balance	70,377,747	70,377,747	70,377,747				
Total Investments	**15,691,883,080**	**15,442,136,026**	**15,499,701,664**				
Accrued Interest		50,275,945	50,275,945				
Total Portfolio	**15,691,883,080**	**15,492,411,971**	**15,549,977,609**				

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 2/28/2025.*
7. *The Cash Balance figure is as of 2/28/2025, as provided by the County.*

Sector Distribution

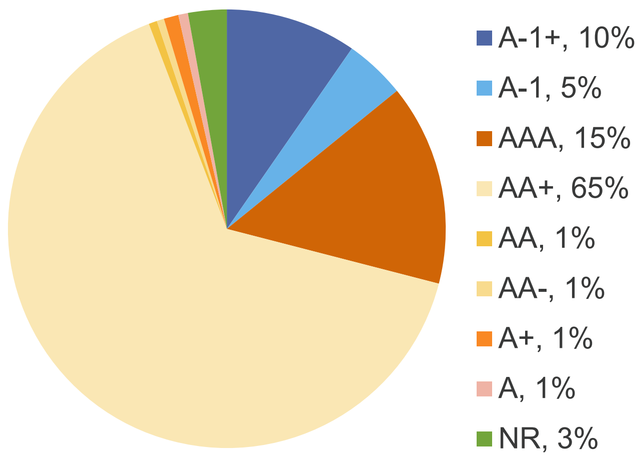


Sector	Market Value
Agency Mortgage-Backed	$5,018,848,918
Asset-Backed Securities	$1,010,463,134
Certificates of Deposit	$199,935,800
Commercial Paper	$1,393,134,013
Corporate Notes	$485,355,792
Federal Agencies	$1,928,612,396
Money Market Funds	$626,000,000
Repurchase Agreements	$950,000,000
Joint Powers Authority	$100,000,000
Supranationals	$45,034,990
U.S. Treasuries	$3,671,938,875

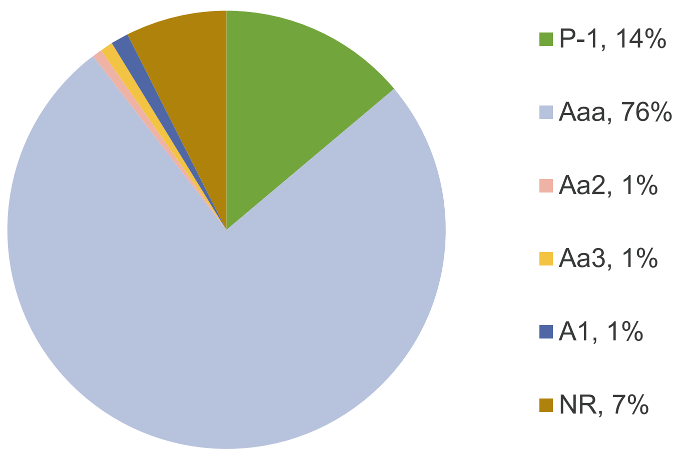
Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

S&P RATINGS



MOODY'S RATINGS

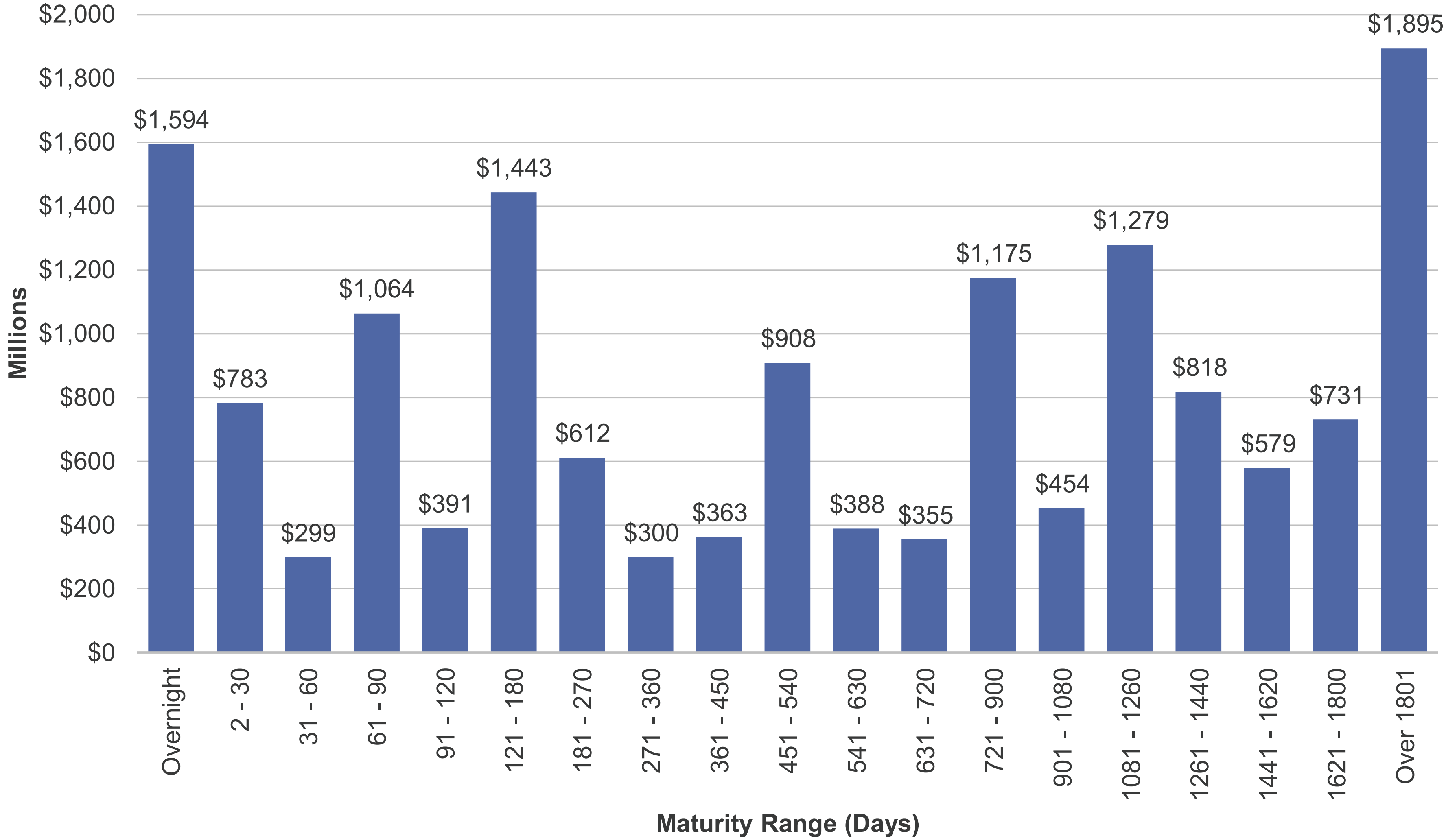


Credit Rating	Market Value
A-1+ (Short-Term)	$1,490,904,263
A-1 (Short-Term)	$695,523,750
AAA (Long-Term)	$2,290,884,548
AA+ (Long-Term)	$10,056,043,129
AA (Long-Term)	$94,917,000
AA- (Long-Term)	$85,096,800
A+ (Long-Term)	$166,172,250
A (Long-Term)	$109,168,602
Not Rated	$440,613,577

Credit Rating	Market Value
P-1 (Short-Term)	$2,137,364,863
Aaa (Long-Term)	$11,684,412,545
Aa1 (Long-Term)	$0
Aa2 (Long-Term)	$110,837,970
Aa3 (Long-Term)	$145,115,200
A1 (Long-Term)	$199,401,482
A2 (Long-Term)	$0
A3 (Long-Term)	$0
Not Rated	$1,152,191,857

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
February 2024	3.92%
March 2024	3.94%
April 2024	4.06%
May 2024	4.09%
June 2024	4.15%
July 2024	4.17%
August 2024	4.09%
September 2024	4.20%
October 2024	4.19%
November 2024	4.18%
December 2024	4.19%
January 2025	4.20%
February 2025	**4.21%**

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.*

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2025 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2025 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2025 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com, which is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.