

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

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 30, 2019

NEW ISSUE—FULL BOOK-ENTRY

**RATINGS: Moody's: "Aa1"; S&P: "AA-"
(See "MISCELLANEOUS – Ratings" herein)**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

**CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
(San Bernardino County, California)**

\$4,245,000*
**Election of 2012 General Obligation Bonds, Series E
(Federally Tax-Exempt)**

\$122,975,000*
**2019 General Obligation Refunding Bonds
(Federally Taxable)**

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined will have the meanings assigned thereto as provided in the Official Statement.

The Chaffey Joint Union High School District (San Bernardino County, California) Election of 2012 General Obligation Bonds, Series E (the "Series E Bonds") (Federally Tax-Exempt), were authorized at an election of the registered voters of the Chaffey Joint Union High School District (the "District") held on November 6, 2012, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$848,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and (ii) pay the costs of issuing the Series E Bonds.

The Chaffey Joint Union High School District (San Bernardino County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Refunding Bonds," and together with the Series E Bonds, the "Bonds") are being issued by the District to (i) advance refund certain of the District's outstanding Prior Bonds and (ii) pay the costs of issuing the Refunding Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of San Bernardino County is empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds will be dated as of their date of initial delivery and will be issued as current interest bonds, such that interest thereon will accrue from such date and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020. The Bonds are issuable as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as further described herein.*

MATURITY SCHEDULE*
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters are being passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel, and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2019.



Dated: _____, 2019

* Preliminary, subject to change.

MATURITY SCHEDULE

Base CUSIP[†]: 157411

\$4,245,000*

**CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
(San Bernardino County, California)
Election of 2012 General Obligation Bonds, Series E
(Federally Tax-Exempt)**

\$ _____ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[†] Suffix
--------------------------------	-----------------------------	--------------------------	--------------	-------------------------------------

\$ _____ – _____% Term Bonds due August 1, 20__ ; Yield: _____%⁽¹⁾; CUSIP Suffix[†]:

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Financial Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MATURITY SCHEDULE

Base CUSIP[†]: 157411

\$122,975,000*

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
(San Bernardino County, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

\$ _____ Serial Bonds				
<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u> <u>Suffix</u>

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Financial Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of 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 issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy 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 provided by the District, has been obtained from sources which are believed to be reliable, but 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The 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 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.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The District maintains a website and certain social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Board of Trustees

John Rhinehart, *President*
Art Bustamonte, *Vice President*
Shari Megaw, *Clerk*
Sue Ovitt, *Member*
Gil Zendejas, *Member*

District Administration

Mathew Holton, Ed.D., *Superintendent*
Richard Wiersma, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

C Financial Investments, Inc., dba
California Financial Services
Ladera Ranch, California

Paying Agent, Escrow Agent, Registrar, and Transfer Agent

U.S. Bank National Association
Los Angeles, California

Escrow Verification

Causey Demgen & Moore, PC
Denver, Colorado

TABLE OF CONTENTS

Page

INTRODUCTION	1
THE DISTRICT	1
PURPOSE OF THE BONDS	2
AUTHORITY FOR ISSUANCE OF THE BONDS	2
SOURCES OF PAYMENT FOR THE BONDS	2
DESCRIPTION OF THE BONDS	2
TAX MATTERS	3
OFFERING AND DELIVERY OF THE BONDS	3
BOND OWNER’S RISKS	3
CONTINUING DISCLOSURE	3
PROFESSIONALS INVOLVED IN THE OFFERING	4
FORWARD LOOKING STATEMENTS	4
OTHER INFORMATION	4
THE BONDS	5
AUTHORITY FOR ISSUANCE	5
SECURITY AND SOURCES OF PAYMENT	5
STATUTORY LIEN	6
GENERAL PROVISIONS	7
ANNUAL DEBT SERVICE	7
APPLICATION AND INVESTMENT OF BOND PROCEEDS	9
REDEMPTION	10
BOOK-ENTRY ONLY SYSTEM	13
DISCONTINUATION OF BOOK-ENTRY ONLY SYSTEM; REGISTRATION, PAYMENT AND TRANSFER OF BONDS	15
DEFEASANCE	16
ESTIMATED SOURCES AND USES OF FUNDS	17
TAX BASE FOR REPAYMENT OF BONDS	18
<i>AD VALOREM</i> PROPERTY TAXATION	18
ASSESSED VALUATIONS	19
TAX RATES	23
ALTERNATIVE METHOD OF TAX APPORTIONMENT - TEETER PLAN	24
PRINCIPAL TAXPAYERS	25
STATEMENT OF DIRECT AND OVERLAPPING DEBT	25
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS	28
ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION	28
LEGISLATION IMPLEMENTING ARTICLE XIII A	29
PROPOSITION 50 AND PROPOSITION 171	29
UNITARY PROPERTY	30
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION	31
PROPOSITION 26	32
ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION	32
PROPOSITIONS 98 AND 111	33
PROPOSITION 39	34
PROPOSITION 1A AND PROPOSITION 22	35
<i>JARVIS VS. CONNELL</i>	36
PROPOSITION 55	36
PROPOSITION 2	37
PROPOSITION 51	38
FUTURE INITIATIVES	39

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
DISTRICT FINANCIAL INFORMATION.....	39
STATE FUNDING OF EDUCATION.....	39
OTHER REVENUE SOURCES.....	43
INVESTMENT OF DISTRICT FUNDS.....	44
ACCOUNTING PRACTICES.....	44
COMPARATIVE FINANCIAL STATEMENTS.....	45
BUDGET PROCESS.....	47
STATE BUDGET MEASURES.....	50
CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT.....	52
INTRODUCTION.....	52
ADMINISTRATION.....	52
LABOR RELATIONS.....	53
DIRECT RETIREMENT PROGRAMS.....	53
OTHER POST-EMPLOYMENT BENEFITS.....	61
RISK MANAGEMENT.....	62
DISTRICT DEBT STRUCTURE.....	63
TAX MATTERS.....	65
LIMITATION ON REMEDIES; BANKRUPTCY.....	67
GENERAL.....	67
STATUTORY LIEN.....	68
SPECIAL REVENUES.....	68
POSSESSION OF TAX REVENUES; REMEDIES.....	68
OPINIONS OF BOND COUNSEL QUALIFIED BY REFERENCE TO BANKRUPTCY, INSOLVENCY AND OTHER LAWS RELATING TO OR AFFECTING CREDITOR'S RIGHTS.....	69
LEGAL MATTERS.....	69
LEGALITY FOR INVESTMENT IN CALIFORNIA.....	69
EXPANDED REPORTING REQUIREMENTS.....	69
CONTINUING DISCLOSURE.....	69
LITIGATION.....	69
FINANCIAL STATEMENTS.....	70
LEGAL OPINIONS.....	70
MISCELLANEOUS.....	70
RATINGS.....	70
UNDERWRITING.....	70
ADDITIONAL INFORMATION.....	71
APPENDIX A: FORMS OF OPINIONS OF BOND COUNSEL.....	A-1
APPENDIX B: 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.....	B-1
APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	C-1
APPENDIX D: ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF ONTARIO AND RANCHO CUCAMONGA AND SAN BERNARDINO COUNTY.....	D-1
APPENDIX E: SAN BERNARDINO COUNTY TREASURY POOL.....	E-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
(San Bernardino County, California)

\$4,245,000*
Election of 2016 General Obligation Bonds,
Series B
(Federally Tax-Exempt)

\$122,975,000*
2019 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover pages and appendices hereto, provides information in connection with the sale of (i) Chaffey Joint Union High School District (San Bernardino County, California) Election of 2012 General Obligation Bonds, Series E (Federally Tax-Exempt) (the “Series E Bonds”), and (ii) Chaffey Joint Union High School District (San Bernardino County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds,” and together with the Series E Bonds, the “Bonds”).

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

The District

The Chaffey Joint Union High School District (the “District”), formed in 1911, currently operates eight comprehensive high schools, one adult school, one continuation school, one on-line high school and one community day school. The District’s territory has an estimated population of 425,000, encompassing approximately 175 square miles in San Bernardino County (the “County”), and includes within its boundaries seven feeder elementary school districts. The District serves the cities of Ontario, Montclair, Rancho Cucamonga and portions of Fontana, Upland, and Chino, as well as the community of Mt. Baldy, a portion of which lies in Los Angeles County. For fiscal year 2019-20, the District’s projected average daily attendance (“ADA”) is 22,673 students, and taxable property within the District has an assessed valuation of \$59,894,950,088.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. Dr. Mathew Holton is currently the District’s Superintendent.

For more information regarding the District generally, see “DISTRICT FINANCIAL INFORMATION” and “CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT,” and for more information regarding the District’s assessed valuation, see “TAX BASE FOR REPAYMENT OF BONDS” herein. The audited financial statements of the District for fiscal year ending June 30, 2018 are attached hereto as APPENDIX B and should be read in their entirety.

* Preliminary, subject to change.

Purpose of the Bonds

Series E Bonds. The Series E Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of the District sites and facilities, and (ii) pay the costs of issuing the Series E Bonds.

Refunding Bonds. The Refunding Bonds are being issued to (i) advance refund certain of the District's outstanding General Obligation Refunding Bonds, Series 2011 and the District's outstanding Election of 2012 General Obligation Bonds, Series A (together, the "Prior Bonds"), and (ii) pay the costs of issuing the Refunding Bonds.

See also "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to resolutions adopted by the Board of Trustees of the District on October 15, 2019. See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County (the "County Board") is empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or any integral multiples thereof.

Redemption.* Certain of the Bonds are subject to redemption prior to their respective stated maturity dates, as further described herein. Certain of the Bonds identified as Term Bonds (as defined

* Preliminary, subject to change.

herein) are further subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption” herein.

Payments. The Bonds will be dated as of their date of initial delivery (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each February 1 and August 1 of each year (each, a “Bond Payment Date”), commencing February 1, 2020. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover pages hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series E Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2019.

Bond Owner’s Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, and certain other considerations, see “TAX BASE FOR REPAYMENT OF BONDS” and “LIMITATION ON REMEDIES; BANKRUPTCY” herein.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events. The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure – Current Undertaking” herein and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. These covenants have been made in order to assist RBC Capital Markets, LLC (the

“Underwriter”) in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. C Financial Investments, Inc., dba, California Financial Services, Ladera Ranch, California is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and California Financial Services will receive compensation from the District contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the District or the Bonds.

Forward Looking Statements

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

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Chaffey Joint Union High School District, 211 West Fifth Street, Ontario, California 91762, telephone: (909) 988-8511. The District may impose a charge for copying, mailing and handling.

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

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

provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The County, including its officials, officers, employees and representatives, shall have no responsibility with respect to any information in this Official Statement, except for information concerning the Treasurer's Pooled Investment Fund provided by the County Treasurer-Tax Collector. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolutions (as defined herein).

THE BONDS

Authority for Issuance

Series E Bonds. The Bonds are issued by the District pursuant to the provisions of Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (the "Act"), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board on October 15, 2019 (the "Series E Resolution").

The District received authorization at an election held on November 6, 2012 by the requisite fifty-five percent of the votes cast by eligible voters within the District to issue \$848,000,000 aggregate principal amount of general obligation bonds (the "Authorization"). The Bonds are the fifth series of bonds issued under the Authorization, and following the issuance thereof, \$388,007,303.45* of the Authorization will remain unissued.

Refunding Bonds. The Refunding Bonds are issued pursuant to the provisions of Government Code Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5, and pursuant to a resolution adopted by the Board on October 15, 2019 (the "Refunding Resolution," and together with the Series E Resolution, the "Resolutions").

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve for the

* Preliminary, subject to change.

Bonds, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (defined herein) established by the Resolutions, which funds are required to be segregated and maintained by the County and which are designated for the payment of the series of Bonds to which such fund relates, and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in the Debt Service Funds to the payment of the respective series of the Bonds to which such fund relates. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Funds, the Bonds are not a debt of the County.

Moneys in the Debt Service Funds, to the extent necessary to pay the principal of and interest on the series of Bonds to which such fund relates, as the same becomes due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, wildfire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

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

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 2016 and payable, both principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the State 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.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See “—Book-Entry Only System” herein. Beneficial Owners will not receive certificates representing their interest in the Bonds. The Bonds will be dated as of the Date of Delivery.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each Bond Payment Date, commencing August 1, 2020. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2020, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover pages hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the “Record Date”), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See “—Book-Entry Only System” herein.

Annual Debt Service

The table on the following page shows the annual debt service requirements of the District for Bonds, together with debt service on the District’s prior outstanding bonded indebtedness (but excluding the debt service on the Prior Bonds being refunded with the Refunding Bonds), and assuming no further optional redemptions.

<u>Year Ending (August 1)</u>	<u>Outstanding Bonded Debt Service</u> ⁽¹⁾	<u>Series E Bonds</u>		<u>Refunding Bonds</u>		<u>Total Annual Debt Service</u>
		<u>Annual Principal Payment</u> ⁽²⁾	<u>Annual Interest Payment</u> ⁽²⁾	<u>Annual Principal Payment</u> ⁽²⁾	<u>Annual Interest Payment</u> ⁽²⁾	
2020	\$24,833,747.93					
2021	24,432,900.26					
2022	18,526,407.76					
2023	15,028,689.40					
2024	12,568,712.50					
2025	13,083,462.50					
2026	13,610,962.50					
2027	14,084,212.50					
2028	14,884,212.50					
2029	15,604,212.50					
2030	16,509,212.50					
2031	17,474,212.50					
2032	18,359,212.50					
2033	19,154,212.50					
2034	20,339,212.50					
2035	21,609,212.50					
2036	24,259,212.50					
2037	25,664,212.50					
2038	27,119,212.50					
2039	28,654,212.50					
2040	30,894,212.50					
2041	32,919,812.50					
2042	35,126,312.50					
2043	37,513,262.50					
2044	43,194,212.50					
2045	37,766,812.50					
2046	40,864,062.50					
2047	44,213,450.00					
2048	13,564,200.00					
2049	<u>14,534,000.00</u>					
Total	\$716,389,982.85					

* Preliminary, subject to change.

(1) Excludes debt service on the Prior Bonds, to be refunded with proceeds from the Bonds.

(2) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2020. Principal payment dates due August 1 of each year.

See also “CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT– District Debt Structure – General Obligation Bonds” herein for a full debt service schedule for all of the District’s bonded debt.

Application and Investment of Bond Proceeds

Series E Bonds. The Series E Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) to pay the costs of issuing the Series E Bonds.

The net proceeds from the sale of the Series E Bonds will be paid to the County treasury to the credit of the building fund (the “Building Fund”) created by the Series E Resolution, and shall be accounted for separately from all other District and County funds. Any accrued interest or premium received by the County from the sale of the Series E Bonds will be paid to the County treasury, to the credit of the debt service fund created by the Series E Resolution (the “Series E Debt Service Fund”) and used only for payment of principal of and interest on the Series E Bonds, and for no other purpose. Any excess proceeds of the Series E Bonds not needed for the authorized purposes for which the Series E Bonds are being issued shall be transferred to the Series E Debt Service Fund. If, after payment in full of the Series E Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District as permitted by law.

Refunding Bonds. The Refunding Bonds are being issued to (i) advance refund the Prior Bonds, and (ii) pay the costs of issuing the Refunding Bonds.

The net proceeds from the sale of the Refunding Bonds will be deposited with U.S. Bank National Association, as Escrow Agent, to the credit of an escrow fund (the “Escrow Fund”) held pursuant to that certain Escrow Agreement, dated as of November 1, 2019, by and between the District and the Escrow Agent. Amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the “Federal Securities”), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Prior Bonds on the first optional redemption dates therefor, as well as the interest due on the Prior Bonds on and prior to such dates.

The tables below show information on the specific maturities of the Prior Bonds to be refunded with proceeds of the Refunding Bonds.*

PRIOR BONDS*
Chaffey Joint Union High School District
2011 General Obligation Refunding Bonds*

Maturity Date (August 1)	CUSIP	Original Principal Amount	Outstanding Principal to be Refunded	Date of Redemption	Redemption Price (% of Principal Amount)
2022	157411MS5	\$2,580,000	\$2,580,000	8/1/2021	100%
2023	157411MT3	6,445,000	6,445,000	8/1/2021	100
2024	157411MU0	6,780,000	6,780,000	8/1/2021	100
2025	157411MV8	7,135,000	7,135,000	8/1/2021	100
2026	157411MW6	3,285,000	3,285,000	8/1/2021	100
2027 ⁽¹⁾	157411MY2	3,530,000	3,530,000	8/1/2021	100

* Preliminary, subject to change.

⁽¹⁾ Maturity Date of May 1, 2027.

PRIOR BONDS*
Chaffey Joint Union High School District
Election of 2012 General Obligation Bonds, Series A*

Maturity Date (August 1)	CUSIP	Original Principal Amount	Outstanding Principal to be Refunded	Date of Redemption	Redemption Price (% of Principal Amount)
2024	157411NK1	\$2,015,000	\$2,015,000	8/1/2023	100%
2025	157411NL9	2,210,000	2,210,000	8/1/2023	100
2026	157411NM7	2,510,000	2,510,000	8/1/2023	100
2027	157411NN5	2,940,000	2,940,000	8/1/2023	100
2028	157411NX3	1,500,000	1,500,000	8/1/2023	100
2029	157411NP0	1,770,000	1,770,000	8/1/2023	100
2030	157411NQ8	3,465,000	3,465,000	8/1/2023	100
2031	157411NR6	3,545,000	3,545,000	8/1/2023	100
2032	157411NS4	3,730,000	3,730,000	8/1/2023	100
2033	157411NT2	4,025,000	4,025,000	8/1/2023	100
2034	157411NU9	4,435,000	4,435,000	8/1/2023	100
2037	157411NW5	19,260,000	19,260,000	8/1/2023	100
2043	157411NV7	28,895,000	28,895,000	8/1/2023	100

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay interest on the Prior Bonds on and prior to their first optional call date, as shown above, and to refund the Prior Bonds on such date as described above will be verified by Causey Demgen & Moore P.C., as the verification agent (the “Verification Agent”). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Prior Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment thereof will terminate. See “LEGAL MATTERS – Escrow Verification” herein.

Any accrued interest received by the County from the sale of the Refunding Bonds will be paid to the County treasury, to the credit of the debt service fund created by the Refunding Resolution (the “Refunding Debt Service Fund,” and together with the Series E Debt Service Fund, the “Debt Service Funds”) and used only for payment of principal of and interest on the Refunding Bonds, and for no other purpose.

Investment of Proceeds. Funds on deposit in the Escrow Fund will be invested as described above. Moneys in the Building Fund and Debt Service Funds will be invested through the County’s pooled investment fund. See “APPENDIX E – SAN BERNARDINO COUNTY TREASURY POOL” attached hereto.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their stated maturity dates. The 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, in whole or in part, on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Bonds selected for redemption, without premium, together with interest accrued thereon to the date of redemption.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption.* The Series E Bonds maturing on August 1, 20__ (the “Term Bonds”), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	<u>Principal Amount</u>
---------------------------------------	--------------------------------

⁽¹⁾ Maturity.

In the event that a portion of the Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

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

Redemption Notice. When redemption is authorized or required pursuant to the Resolutions, the Paying Agent, upon written instruction from the District, will give notice (a “Redemption Notice”) of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

“Securities Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent to the District that a Redemption Notice has been given as provided in the Resolutions will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance,” the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “—Defeasance,” and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in “—Defeasance,” such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal of, premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was

given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of such rescission in the same manner as the Redemption Notice was originally provided.

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

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest on, principal of or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 3.6 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," and together with the Direct

Participants, the “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. However, the information presented on such website is not incorporated herein by any reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from 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 or distributions 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.

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

DTC may discontinue providing its services as depository with respect to the Bonds 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, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to the Owners thereof.

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolutions.

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

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

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

Defeasance

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

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

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto and the obligations.

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

ESTIMATED SOURCES AND USES OF FUNDS

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

	<u>Series E Bonds</u>	<u>Refunding Bonds</u>
Sources of Funds		
Principal Amount of Bonds		
Original Issue Premium		
Total Sources		
Uses of Funds		
Deposit to Building Fund		
Deposit to Debt Service Fund		
Deposit to Escrow Fund		
Costs of Issuance ⁽¹⁾		
Underwriter's Discount		
Total Uses		

⁽¹⁾ Reflects all costs of issuance, including but not limited to credit rating fees, printing costs, legal and Financial Advisory fees, and the costs and fees of the Paying Agent, Escrow Agent and Verification Agent. See also "MISCELLANEOUS – Underwriting" herein.

[REMAINDER OF PAGE LEFT BLANK]

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same rolls as special district property taxes. Assessed valuations are the same for both the District and the County's taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a minimum 10% penalty attaches to any delinquent installment plus a \$10 cost on the second installment, plus any additional amount determined by the County Treasurer (the "Treasurer"). Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Information regarding District-level tax delinquencies is not currently available. See also "—Alternative Method of Tax Apportionment – Teeter Plan" herein.

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the State Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table shows the 10-year history of assessed valuations in the District, as of the date the equalized assessment roll is established in August of each year.

ASSESSED VALUATIONS⁽¹⁾
Fiscal Years 2010-11 through 2019-20
Chaffey Joint Union High School District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2010-11	\$40,131,100,349	\$59,129,729	\$4,219,256,227	\$44,409,486,305
2011-12	40,107,748,613	58,448,614	4,014,433,145	44,180,630,372
2012-13	40,386,179,401	40,689,447	3,978,546,461	44,405,415,309
2013-14	41,691,172,534	30,560,349	3,935,281,802	45,657,014,685
2014-15	44,276,266,928	22,787,583	4,042,968,267	48,342,022,778
2015-16	46,469,718,212	28,982,324	4,159,167,780	50,657,868,316
2016-17	48,549,807,091	24,474,744	3,990,905,929	52,565,187,764
2017-18	51,860,598,396	24,771,495	3,970,731,105	55,856,100,996
2018-19	55,690,429,505	8,288,690	4,196,231,893	59,894,950,088
2019-20	58,984,042,317	1,399,173	4,363,661,935	63,349,103,425

⁽¹⁾ Total assessed valuation includes the portion of the community of Mt. Baldy located in Los Angeles County. For fiscal year 2019-20, this portion of the District has an assessed valuation of \$3,370, representing less than 0.001% of the total assessed valuation of the District.

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, wildfire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment” herein.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the California State Board of Equalization (“SBE”), with the appropriate county board of equalization or assessment appeals board. The County Assessor may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire, or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIII A of the California Constitution” herein.

No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2019-20 assessed valuation.

ASSESSED VALUATION AND PARCELS BY JURISDICTION
Fiscal Year 2019-20
Chaffey Joint Union High School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Chino	\$13,914,386	0.02%	\$14,223,945,266	0.10%
City of Fontana	4,869,085,356	7.69	\$21,160,085,508	23.01%
City of Montclair	3,522,477,244	5.56	\$3,525,995,924	99.90%
City of Ontario	25,762,549,518	40.67	\$27,517,353,669	93.62%
City of Rancho Cucamonga	27,532,379,147	43.46	\$27,642,340,160	99.60%
City of Upland	518,804,957	0.82	\$9,820,386,020	5.28%
Unincorporated Los Angeles County	3,437	0.00	\$111,408,534,823	0.00%
Unincorporated San Bernardino County	<u>1,129,889,380</u>	<u>1.78</u>	\$35,611,532,309	3.17%
Total District	\$63,349,103,425	100.00%		
Los Angeles County	\$3,437	0.00%	\$1,612,990,196,814	0.00%
San Bernardino County	<u>\$63,349,099,988</u>	100.00%	\$237,014,054,031	26.73%
Total District	\$63,349,103,425			

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2019-20 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

**ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2019-20
Chaffey Joint Union High School District**

Single Family Residential	No. of Parcels			2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	74,266			\$26,373,206,599	\$355,118	\$324,592
2018-19 Assessed Valuation	No. of Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - 49,999	1,496	2.014%	2.014%	\$58,183,874	0.221%	0.221%
50,000 - 99,999	2,796	3.765	5.779	200,216,560	0.759	0.980
100,000 - 149,999	3,516	4.734	10.514	452,849,597	1.717	2.697
150,000 - 199,999	7,691	10.356	20.870	1,361,316,228	5.162	7.859
200,000 - 249,999	9,180	12.361	33.231	2,065,341,389	7.831	15.690
250,000 - 299,999	8,482	11.421	44.652	2,329,107,336	8.831	24.521
300,000 - 349,999	7,530	10.139	54.791	2,440,665,937	9.254	33.775
350,000 - 399,999	7,667	10.324	65.115	2,875,505,316	10.903	44.679
400,000 - 449,999	7,262	9.778	74.893	3,078,250,387	11.672	56.351
450,000 - 499,999	5,420	7.298	82.191	2,565,982,216	9.730	66.080
500,000 - 549,999	3,581	4.822	87.013	1,873,385,579	7.103	73.183
550,000 - 599,999	2,472	3.329	90.341	1,417,467,839	5.375	78.558
600,000 - 649,999	1,825	2.457	92.799	1,136,989,985	4.311	82.869
650,000 - 699,999	1,333	1.795	94.594	897,249,980	3.402	86.271
700,000 - 749,999	1,025	1.380	95.974	739,863,623	2.805	89.077
750,000 - 799,999	772	1.040	97.013	596,649,964	2.262	91.339
800,000 - 849,999	449	0.605	97.618	369,277,483	1.400	92.739
850,000 - 899,999	362	0.487	98.105	315,909,081	1.198	93.937
900,000 - 949,999	264	0.355	98.461	243,992,862	0.925	94.862
950,000 - 999,999	229	0.308	98.769	223,444,980	0.847	95.709
1,000,000 and greater	914	1.231	100.000	1,131,556,383	4.291	100.000
Total	74,266	100.000%		\$26,373,206,599	100.000%	

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

Assessed Valuation and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2019-20.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2019-20
Chaffey Joint Union High School District

	2019-20	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u>⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural	\$102,063,887	0.17%	129	0.11%
Commercial	5,469,536,205	9.27	2,525	2.24
Professional/Office	1,699,324,900	2.88	800	0.71
Industrial	13,538,972,472	22.95	3,262	2.89
Recreational	231,893,601	0.39	57	0.05
Government/Social/Institutional	109,112,709	0.18	297	0.26
Miscellaneous	<u>33,160,116</u>	<u>0.06</u>	<u>320</u>	<u>0.28</u>
Subtotal Non-Residential	\$21,184,063,890	35.91%	7,390	6.54%
<u>Residential:</u>				
Single Family Residence	\$26,373,206,599	44.71%	74,266	65.77%
Condominium/Townhouse	4,674,155,465	7.92	16,884	14.95
Mobile Home	173,870,879	0.29	2,500	2.21
Mobile Home Park	112,363,251	0.19	53	0.05
2-4 Residential Units	859,192,998	1.46	2,566	2.27
5+ Residential Units/Apartments	3,774,419,519	6.40	1,538	1.36
Residential Miscellaneous	<u>2,913,523</u>	<u>0.00</u>	<u>42</u>	<u>0.04</u>
Subtotal Residential	\$35,970,122,234	60.98%	97,849	86.66%
Vacant Parcels	\$1,829,856,193	3.10%	7,678	6.80%
Total	\$58,984,042,317	100.00%	112,917	100.00%

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

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a “TRA”) within the District during the period from fiscal years 2015-16 through 2019-20.

SUMMARY OF AD VALOREM PROPERTY TAX RATES (TRA 04-000)⁽¹⁾
Fiscal Years 2015-16 through 2019-20
Chaffey Joint Union High School District

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>⁽¹⁾	<u>2019-20</u>⁽¹⁾
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Ontario-Montclair School District	.0268	.0264	.0557	.0555	.0428
Chaffey Union High School District	.0409	.0319	.0279	.0402	.0375
Chaffey Community College District	.0113	.0116	.0088	.0153	.0241
Metropolitan Water District	<u>.0035</u>	<u>.0035</u>	<u>.0035</u>	<u>.0035</u>	<u>.0035</u>
Total	1.0825%	1.0734%	1.0959%	1.1145%	1.1079%

⁽¹⁾ Fiscal year 2019-20 assessed valuation of TRA 04-000 is 4,470,775,621, representing approximately 7.06% of the District’s total assessed valuation.

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Revenue and Taxation Code Section 4701 *et seq.* of the, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited 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 Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The Board of Supervisors of the County has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County funds the District its full secured property tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments when the late taxes are collected. The County includes the District’s 1% general purpose secured property tax levy and the *ad valorem* property tax levy for the District’s general obligation bonds, under the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2019-20 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2019-20 Chaffey Joint Union High School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Prologis California I LLC	Industrial	\$ 770,278,362	1.31%
2.	Catellus Development Corporation	Industrial	429,006,671	0.73
3.	Ontario Mills LP	Shopping Center	407,650,550	0.69
4.	Rancho Mall LLC	Shopping Center	343,840,932	0.58
5.	Vineyard Industrial I LLC	Industrial	194,372,187	0.33
6.	Pacab LLC	Industrial	179,070,249	0.30
7.	Rexford Industrial Realty LP	Industrial	177,179,419	0.30
8.	5060 Montclair Plaza Lane Owner LLC	Shopping Center	170,679,504	0.29
9.	Teachers Insurance & Annuity Association of America	Industrial	169,969,226	0.29
10.	Western A West CA LLC	Industrial	166,733,818	0.28
11.	Western Land Properties	Apartments	154,679,125	0.26
12.	ROCIII CA Terracina LLC	Apartments	150,797,657	0.26
13.	Rexford Industrial-Safari LLC	Industrial	146,904,481	0.25
14.	Comref So Ca Industrial Sub A&F LLC	Industrial	146,683,701	0.25
15.	Majestic-CCC IV Partners	Industrial	139,677,379	0.24
16.	MFREVF II-Empire Lakes LLC	Apartments	137,551,278	0.23
17.	UPS Worldwide Forwarding Inc.	Industrial	133,946,470	0.23
18.	Property Reserve Inc.	Industrial	132,284,047	0.22
19.	Frito Lay Inc.	Industrial	130,020,973	0.22
20.	Homecoming I at Terra Vista LLC	Apartments	<u>127,487,076</u>	<u>0.22</u>
			\$4,408,813,105	7.47%

⁽¹⁾ The District's fiscal year 2019-20 local secured assessed valuation is \$58,984,042,317.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of October 1, 2019, and dated as of October 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

[REMAINDER OF PAGE LEFT BLANK]

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Chaffey Joint Union High School District

2019-20 Assessed Valuation: \$63,349,103,425

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/19</u>
Metropolitan Water District	2.046%	\$983,103
Chaffey Community College District	52.537	176,571,603
Chaffey Union High School District	100.000	468,076,948⁽¹⁾
Alta Loma School District	100.000	40,974,945
Central School District	100.000	46,983,660
Etiwanda School District	100.000	40,395,326
Mountain View School District School Facilities Improvement District No. 1	100.000	10,482,376
Ontario-Montclair School District	100.000	114,200,015
Cucamonga School District Community Facilities District No. 97-1	100.000	4,295,000
Etiwanda School District Community Facilities Districts	100.000	69,385,000
Mountain View School District Community Facilities Districts	100.000	560,000
San Bernardino County Community Facilities District No. 2002-1	100.000	17,330,000
City of Fontana Community Facilities Districts	49.634-100.	6,294,711
City of Ontario Community Facilities Districts	100.000	86,945,000
City of Rancho Cucamonga Community Facilities Districts	100.000	63,489,000
City 1915 Act Bonds	100.000	<u>2,350,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,149,316,687
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	26.728%	\$63,917,339
San Bernardino County Pension Obligation Bonds	26.728	63,402,194
San Bernardino County Flood Control District General Fund Obligations	26.728	15,276,388
Chaffey Community College District General Fund Obligations	52.537	16,228,679
Cucamonga School District Certificates of Participation	100.000	5,686,000
City of Montclair General Fund Obligations	99.900	40,998,960
City of Ontario General Fund Obligations	93.623	55,715,047
Other City General Fund Obligations	various	21,127,165
West Valley Vector Control District Certificates of Participation	65.774	<u>1,461,170</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$283,812,942
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$394,021,394
COMBINED TOTAL DEBT		\$1,827,151,023 ⁽²⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$468,076,948)	0.74%
Direct and Overlapping Tax and Assessment Debt	1.81%
Combined Total Debt.....	2.88%

Ratios to Redevelopment Incremental Valuation (\$24,541,922,287):

Total Overlapping Tax Increment Debt.....	1.61%
---	-------

⁽¹⁾ Excludes the Bonds described herein, and includes the Prior Bonds.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. (See “THE BONDS – Security and Sources of Payment” herein) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Series E Bonds and the Prior Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS” herein.

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

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “2020 Ballot Measure”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

Legislation Implementing Article XIII A

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to claims, if any, on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

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

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor, (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within

the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid

district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Article XIII B of the California Constitution

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

- (a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
- (b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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

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

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Article XIIC and Article XIID of the California Constitution

On November 5, 1996, the 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 XIIC and XIID (respectively, “Article XIIC” and “Article XIID”), 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 XIIC 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 XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Propositions 98 and 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”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State legislature to suspend this formula for a one-year period.

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in California per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax

revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school district base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also referred to as a "maintenance factor") to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school

districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State legislature and approval by the Governor.

Proposition 1A and Proposition 22

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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

Jarvis vs. Connell

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

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 6, 2012. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

Proposition 2

On November 6, 2012, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

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

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

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

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

made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

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 PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

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

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

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 6, 2012. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover

their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual state budget process.

The District makes no guarantees that it will either pursue or qualify for Proposition 51 state facilitates funding.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 39, 98 and 55 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 revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District’s general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds shall be payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

State Funding of Education

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

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments (“COLAs”) and to equalize revenues among school districts of the same type. Funding of a school district’s revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans, as described below in “—Local Control Funding Formula” herein.

The following table reflects the District’s historical ADA and the funded and deficit revenue limit rates per unit of ADA for fiscal years 2008-09 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2008-09 through 2012-13
Chaffey Joint Union High School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Base Revenue Limit per ADA</u>	<u>Deficit Revenue Limit Per ADA⁽²⁾</u>
2008-09	23,778	\$7,067.42	\$6,513.05
2009-10	23,903	7,367.42	6,015.13
2010-11	23,867	7,338.42	6,020.22
2011-12	23,859	7,502.42	5,956.77
2012-13	23,853	7,745.42	6,020.36

⁽¹⁾ Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four week period of instruction beginning on the first day of school for a particular school district.

⁽²⁾ Deficit revenue limit funding, if provided by State budgetary legislation, reduced revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit limit funding was most recently reinstated beginning in fiscal year 2007-08 and eliminated with the implementation of the LCFF (defined herein).

Source: *Chaffey Joint Union High School District.*

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

The primary component of AB 97 was the implementation of the Local Control Funding Formula (“LCFF”), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. The LCFF was implemented over a period of eight years, during which an annual transition adjustment was calculated for each school district, equal to such district’s proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. During the implementation prior of the LCFF, the Base Grants were required be adjusted for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs are currently subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also “—State Budget” herein.

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

in proportion to the growth in their funding over the implementation period. The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students) and students from low income families that are eligible for free or reduced priced meals, including foster youth (“LI” students), are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows the District’s ADA, enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2018-19, and projected amounts for fiscal year 2019-20.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2018-19
Chaffey Joint Union High School District

Fiscal Year	ADA (9-12)⁽¹⁾	Enrollment⁽²⁾	% of EL/LI Enrollment⁽³⁾
2012-13	23,824	25,020	-- ⁽⁴⁾
2013-14	23,459	24,747	57.58%
2014-15	23,335	24,598	56.16
2015-16	23,118	24,361	60.40
2016-17	22,677	23,894	61.09
2017-18	22,746	23,969	61.19
2018-19	22,673	23,883	61.83
2019-20 ⁽⁵⁾	22,515	23,700	61.83

⁽¹⁾ Except for fiscal year 2019-20, reflects P-2 ADA.

⁽²⁾ For fiscal year 2012-13, reflects enrollment as of the October report submitted to the California Basic Educational Data System (“CBEDS”) in such school year. For fiscal years 2013-14 and later, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and is used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education.

⁽³⁾ For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students has been based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

⁽⁴⁾ The District did not calculate the EL/LI student enrollment prior to the implementation of the LCFF in fiscal year 2013-14.

⁽⁵⁾ Projected.

Source: Chaffey Joint Union High School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue

limit funding, implementation of a COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

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

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

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

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

Other Revenue Sources

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

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as interest earnings, interagency services, developer fees (as discussed herein), tax increment revenues and other local sources.

Developer Fees. The District maintains a fund, separate and apart from its general fund, to account for receives developer fees (the "Developer Fees") levied on commercial and residential development within the District. The Developer Fees received by the District are deposited directly into the District's Capital Facilities Fund. Developer fees are legally required to be used for facility improvements and construction necessitated by student population increases resulting from such development. The District received \$3,244,238, \$3,450,818, \$4,655,822, \$3,770,566, and \$4,519,779 in Developer Fees in fiscal years 2014-15 through 2018-19, respectively. The District projects it will receive \$3,800,000 in Developer Fees in fiscal year 2019-20.

Redevelopment Revenues. The District receives pass-through tax increment revenue (“Redevelopment Revenue”) from successor agencies to certain redevelopment agencies established by the Cities of Fontana, Montclair, Ontario and Rancho Cucamonga. The District has accounted for Redevelopment Revenues in a special revenue fund separately from its general fund. The following table shows Redevelopment Revenue received by the District for the period between 2010-11 and 2019-20.

**REDEVELOPMENT REVENUE COLLECTIONS
Fiscal Years 2010-11 through 2019-20
Chaffey Joint Union High School District**

<u>Fiscal Year</u>	<u>Redevelopment Revenues Received</u>
2010-11	\$2,203,604
2011-12	2,910,030
2012-13	2,600,504
2013-14	3,193,246
2014-15	2,964,175
2015-16	3,156,044
2016-17	3,384,926
2017-18	3,656,231
2018-19	4,085,982
2019-20 ⁽¹⁾	4,145,000

⁽¹⁾ Projected.

Source: Chaffey Joint Union High School District.

Investment of District Funds

Most District funds are deposited with the Treasurer and Tax Collector of the County (the “Treasurer”) to the credit of the proper fund of the District. The Treasurer is responsible for the investment of the funds of the County, and certain classes of involuntary depositors such as school districts, community college districts and certain special districts in the County, are required under state law to be deposited into the County treasury. In addition, certain agencies invest certain of their funds in the County treasury on a voluntary basis. Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the “Investment Pool”). For more information regarding the Investment Pool, see “APPENDIX E – SAN BERNARDINO COUNTY TREASURY POOL” attached hereto.

Accounting Practices

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

The District’s expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Assistant Superintendent, Business Services of the District, Chaffey Joint Union High School District, 211 West Fifth Street, Ontario, California 91762. The audited financial statements for the year ended June 30, 2018, are included in APPENDIX B hereto.

The table below reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2013-14 to fiscal year 2017-18.

[REMAINDER OF PAGE LEFT BLANK]

**AUDITED GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCES**

**Fiscal Years 2013-14 through 2017-18
Chaffey Joint Union High School District**

REVENUES	Fiscal Year <u>2013-14</u>	Fiscal Year <u>2014-15</u>	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2017-18</u>
LCFF Sources	\$175,069,516	\$190,423,912	\$214,873,201	\$225,327,552	\$229,951,103
Federal Sources	9,652,675	10,295,308	11,151,784	11,662,025	11,455,987
Other State Sources	11,895,968	15,633,679	28,293,016	25,891,138	22,632,662
Other Local Sources	<u>14,117,794</u>	<u>14,641,954</u>	<u>13,766,281</u>	<u>12,713,133</u>	<u>12,218,613</u>
TOTAL REVENUES	210,735,953	230,994,853	268,084,282	275,593,848	276,258,365
 EXPENDITURES:					
Instructional Services:					
Instruction	134,366,192	145,119,893	160,703,305	183,608,792	178,633,980
Instruction – Related Services:					
Supervision of Instruction	4,982,341	5,137,129	6,211,968	6,556,088	6,647,960
Instructional Library, Media and Technology	3,409,679	3,992,545	4,519,735	5,568,336	5,754,990
School Site Administration	9,787,878	11,834,063	12,976,771	14,845,044	14,528,927
Pupil Support Services:					
Home-to-School Transportation	4,550,192	5,882,074	5,079,424	5,370,671	5,273,666
Food Services	39,488	29,188	32,895	40,109	46,250
All Other Pupil Services	15,772,817	17,583,564	19,653,541	20,979,835	20,748,105
General Administration Services:					
Data Processing Services	1,312,637	1,505,607	1,826,496	4,197,054	1,731,706
Other General Administration	6,788,819	7,139,570	8,019,835	8,379,310	9,011,439
Plant Services	22,821,089	23,327,423	25,647,315	25,778,579	26,474,673
Facility Acquisition and Construction	--	--	--	--	--
Ancillary Services	2,041,887	2,221,611	2,236,708	2,245,953	2,321,993
Community Services	272,878	260,635	243,591	216,350	173,939
Enterprise Activities	53,292	48,869	63,521	63,403	69,192
Capital Outlay	2,699,825	1,666,762	2,694,136	2,687,453	4,031,927
Transfers of Indirect Costs	(494,005)	(511,059)	(442,650)	(428,093)	(497,154)
Intergovernmental Transfers	<u>7,446,370</u>	<u>6,554,164</u>	<u>6,563,405</u>	<u>6,715,198</u>	<u>6,850,507</u>
TOTAL EXPENDITURES	215,851,379	231,792,038	256,029,996	286,824,082	281,802,100
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources and Uses	(5,115,426)	(797,185)	12,054,286	(11,230,234)	(5,543,735)
OTHER FINANCING SOURCES (USES) – NET	(559,393)	--	--	--	--
 Net Change in Fund Balance	(5,674,819)	(797,185)	12,054,286	(11,230,234)	(5,543,735)
FUND BALANCE, JULY 1	<u>71,182,453</u>	<u>65,507,634</u>	<u>64,710,449</u>	<u>76,764,735</u>	<u>65,534,501</u>
FUND BALANCE, JUNE 30	<u>\$65,507,634</u>	<u>\$64,710,449</u>	<u>\$76,764,735</u>	<u>\$65,534,501</u>	<u>\$59,990,766</u>

Source: Chaffey Joint Union High School District.

Budget Process

State Budgeting Requirements. The District is required by provisions of the Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

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

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

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the

remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a “negative” certification of an Interim Financial Report pursuant to AB 1200.

General Fund Budgeting. The table on the following page summarizes the District’s general fund adopted budgets for fiscal years 2015-16 through 2018-19, audited actual results for fiscal years 2015-16 through 2017-18, and unaudited actuals for fiscal year 2018-19.

[REMAINDER OF PAGE LEFT BLANK]

GENERAL FUND BUDGETING⁽¹⁾
Fiscal Years 2015-16 through 2018-19
Chaffey Joint Union High School District

	Adopted Budget 2015-16⁽²⁾	Audited Actuals 2015-16⁽²⁾	Adopted Budget 2016-17⁽²⁾	Audited Actuals 2016-17⁽²⁾	Adopted Budget 2017-18⁽²⁾	Audited Actuals 2017-18⁽²⁾	Adopted Budget 2018-19⁽³⁾	Unaudited Actuals 2018-19⁽⁴⁾	Adopted Budget 2019-20⁽⁴⁾
REVENUES:									
LCFF Sources	\$210,912,369	\$214,873,201	\$226,469,473	\$225,327,557	\$229,316,328	\$229,951,103	\$246,623,143	\$249,376,513	\$255,829,974
Federal	10,291,070	11,151,784	10,361,085	13,405,104	10,437,817	11,455,987	10,696,667	13,464,204	11,802,488
Other State	20,364,991	28,293,016	13,805,242	26,109,562	15,176,276	22,632,662	28,845,547	37,920,748	16,724,105
Other Local	<u>12,703,155</u>	<u>13,732,469</u>	<u>11,370,456</u>	<u>12,669,147</u>	<u>11,605,759</u>	<u>12,164,610</u>	<u>10,951,369</u>	<u>14,674,737</u>	<u>11,827,380</u>
TOTAL REVENUES	254,271,585	268,050,470	262,006,256	277,511,370	266,536,180	276,204,362	297,116,726	315,456,204	298,183,947
EXPENDITURES:									
Certificated Salaries	109,337,951	116,637,790	120,542,937	128,353,788	121,948,778	124,453,326	126,732,228	129,442,091	131,576,119
Classified Salaries	34,947,163	38,065,486	39,012,479	42,074,448	41,079,381	41,672,523	43,469,979	43,322,703	44,715,381
Employee Benefits	54,940,106	62,610,564	61,276,029	70,859,741	73,422,728	76,468,210	83,382,689	93,646,950	87,172,320
Books & Supplies	8,310,289	10,530,130	15,748,978	17,090,231	7,752,725	7,241,842	12,348,204	8,777,957	11,921,701
Contract Services & Other Operating Expenses	19,839,550	19,316,062	18,888,703	20,066,357	20,259,768	21,939,817	25,935,985	24,296,663	26,169,530
Capital Outlay	2,121,533	2,749,210	2,695,110	2,092,412	3,158,996	3,673,029	4,724,043	7,865,420	2,984,725
Intergovernmental Transfers	6,433,741	6,563,404	6,799,720	6,715,198	6,919,953	6,850,507	7,399,540	7,061,166	7,285,661
Direct Support/Indirect Costs	<u>(508,859)</u>	<u>(442,650)</u>	<u>(487,686)</u>	<u>(428,093)</u>	<u>(475,700)</u>	<u>(497,154)</u>	<u>(744,131)</u>	<u>(200,615)</u>	<u>(165,493)</u>
TOTAL EXPENDITURES	235,421,474	256,029,996	264,476,270	286,824,082	274,066,629	281,802,100	303,248,537	314,232,358	311,659,944
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	18,850,111	12,020,474	(2,470,014)	(9,312,712)	(7,530,449)	(5,597,738)	(6,131,811)	1,223,845	(13,475,997)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	--	--	--	2,000,000	--	--	--	--	--
Operating Transfers Out	--	--	--	--	--	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	--	--	--	2,000,000	--	--	--	--	--
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Financing Sources	18,850,111	12,020,474	(2,470,014)	(7,312,712)	(7,530,449)	(5,597,738)	(6,131,811)	1,223,845	(13,475,997)
FUND BALANCE, JULY 1	<u>56,136,506</u>	<u>58,461,648</u>	<u>69,069,323</u>	<u>70,482,122</u>	<u>61,207,902</u>	<u>61,207,902</u>	<u>49,415,493</u>	<u>55,610,164</u>	<u>56,834,009</u>
FUND BALANCE, JUNE 30	<u>\$74,986,617</u>	<u>\$70,482,122</u>	<u>\$66,599,309</u>	<u>\$63,169,410</u>	<u>\$53,677,453</u>	<u>\$55,610,164</u>	<u>\$43,283,681</u>	<u>\$56,834,009</u>	<u>\$43,358,012</u>

⁽¹⁾ For the audited fiscal years shown above, beginning and ending fund balances do not match those presented under “—Comparative Financial Statements,” as the latter includes within the presentation of the District’s general fund the District’s Deferred Maintenance Fund, the Special Reserve Fund for Other than Capital Outlay and special reserve for post-employment benefits (Fund 67) in compliance with applicable GASB pronouncements.

⁽²⁾ Sourced from the District’s audited financial statements for each fiscal year. Budget figures reflect the District’s original operating budget, which is developed the District and approved by the Board prior to close of the accounting cycle for the prior fiscal year.

⁽³⁾ From the District’s second interim financial report for fiscal year 2018-19, dated as of May 12, 2019. Budget figures reflect the District’s original operating budget, which is developed by the District and approved by the Board prior to close of the accounting cycle for the prior fiscal year.

⁽⁴⁾ From the District’s Unaudited Actuals financial report for fiscal year 2018-19, dated as of September 10, 2019. Numbers may not sum due to rounding.

Source: Chaffey Joint Union High School District.

State Budget Measures

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

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of \$138 billion and total expenditures of \$142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$20.7 billion, including \$5.4 billion in the traditional general fund reserve, \$14.4 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of \$143.8 billion and authorizes expenditures of \$147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.8 billion, including \$1.4 billion in the traditional general fund reserve, \$16.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of \$376.5 million in order to comply with Proposition 2. The amount is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751" herein.

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at \$81.1 billion. With respect to K-12 education, ongoing per-pupil spending is set at \$11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula – Local Control Funding Formula* – An increase of \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "– State Funding of Education– Local Control Funding Formula" herein.
- *Settle-Up Payment* – An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.
- *Special Education* – \$645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) \$152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) \$492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.
- *Pension Costs* – A \$3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from

23.6% to 22.9 % in fiscal year 2020-21. The remaining \$2.3 billion would be paid towards employers' long-term unfunded liability. See also "CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT– District Retirement Programs" herein.

- *After School Programs* - \$50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.
- *Teacher Support* - \$43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes \$89.8 million in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.
- *Broadband Infrastructure* - \$7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.
- *Full-Day Kindergarten* - \$300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.
- *Wildfire-Related Cost Adjustments* – An increase of \$2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances 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 and interest on the Bonds are payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied annually by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The District, formed in 1911, currently operates eight comprehensive high schools, one adult school, one continuation school, one on-line school and one community day school. The District's territory has an estimated population of 425,000, encompassing approximately 175 square miles in San Bernardino County, and includes within its boundaries seven feeder elementary school districts. The District serves the cities of Ontario, Montclair, Rancho Cucamonga and portions of Fontana, Upland, and Chino, as well as the community of Mt. Baldy, a portion of which lies in Los Angeles County. For fiscal year 2019-20, the District's projected ADA is 22,515 students, and taxable property within the District has an assessed valuation of \$59,894,946,718.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Chaffey Joint Union High School District, Attention: Superintendent, 211 West Fifth Street, Ontario, California 91762.

Administration

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

BOARD OF TRUSTEES Chaffey Joint Union High School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
John Rhinehart	President	December 2022
Art Bustamonte	Vice President	December 2022
Shari Megaw	Clerk	December 2020
Sue Ovitt	Member	December 2020
Gil Zendejas	Member	December 2022

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Assistant Superintendent, Business Services follow:

Mathew Holton, Ed.D., Superintendent. Dr. Holton was appointed by the Board as Superintendent of the District in July of 2008. Since beginning his career with the District in 1995, Dr. Holton has served as counselor, Assistant Principal and Principal of Rancho Cucamonga High School. In 2005, he was promoted to Assistant Superintendent of Personnel in the District Office. Prior to joining the District, Dr. Holton taught in the Hesperia Unified School District where he also served as an athletic director, department chair, and varsity soccer and track coach. Dr. Holton received his Bachelor of

Science Degree in Kinesiology from California Polytechnic University, Pomona, and a Master’s Degree in School Counseling from the University of La Verne. In 2007, he also completed the School Business Certification Program at the University of Southern California. Dr. Holton obtained his Doctor of Education degree in Educational Leadership from the University of Southern California Rossier School of Education.

Richard Wiersma, Assistant Superintendent, Business Services. The Board of Trustees appointed Mr. Wiersma as the District’s Assistant Superintendent of Business Services in June 2015. Mr. Wiersma began his career with the District in 1999 as a math teacher at Etiwanda High School. In 2009, Mr. Wiersma joined the District management team as Assistant Principal of Discipline, was promoted in 2010 to the Director of Student Information Services, and in 2014 was appointed to the position of Business Intern. Mr. Wiersma received a Bachelor of Arts Degree in Mathematics from California State University of San Bernardino and a Master of Education Degree in Education Management from the University of La Verne. In 2014, he completed the School Business Management Program at the University of Southern California.

Labor Relations

As of February 13, 2019, the District employed 1,095 full-time equivalent (“FTE”) certificated employees, 750 FTE classified employees and 86 management employees. District employees, except management and some part-time employees, are represented by the bargaining units noted below.

<u>Labor Organization</u>	<u>Contract Expiration Date</u>
Associated Chaffey Teachers, CTA/NEA	June 30, 2019 ⁽¹⁾
California School Employees Association, Chapter 210	June 30, 2019 ⁽¹⁾

⁽¹⁾ Bargaining units currently working under terms of expired contract; new agreements under negotiation.
 Source: Chaffey Joint Union High School District.

Direct Retirement Programs

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

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In

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

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“AB 1469”) into law as a part of the State’s fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Pursuant to AB 1469, K-14 school districts’ contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

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

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers’ Retirement Board (the “STRS Board”), is required to increase or decrease

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

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See also "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein.

The District's contributions to STRS were \$20,019,754 in fiscal year 2015-16, \$15,962,272 in fiscal year 2016-17, and \$18,148,880 in fiscal year 2017-18. The District estimates a contribution of \$21,254,550 in fiscal year 2018-19, and projects \$22,254,074 for its contribution to STRS for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See “—California Public Employees’ Pension Reform Act of 2013” herein.

Pursuant to SB 90, the State Legislature appropriated \$144 million for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred to the Public Employees’ Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See also “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein.

The District’s contributions to PERS were \$4,335,441 in fiscal year 2015-16, \$5,382,982 in fiscal year 2016-17, and \$6,181,592 in fiscal year 2017-18. The District estimates a contribution of \$7,580,526 in fiscal year 2018-19, and projects \$8,966,882 for its contribution to PERS for fiscal year 2019-20.

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

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

[REMAINDER OF PAGE LEFT BLANK]

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Years 2010-11 through 2017-18

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾
2017-18 ⁽⁵⁾	92,071	64,846	27,225	-- ⁽⁴⁾	-- ⁽⁴⁾

(1) Amounts may not add due to rounding.

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

(3) Reflects actuarial value of assets.

(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation

rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the “2018 STRS Actuarial Valuation”) reports that the unfunded actuarial obligation decreased by \$109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in

the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

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

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other

changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014..

For fiscal year ending June 30, 2018, the District’s proportionate share of the net STRS pension liability was \$51,132,701. As of such date, the District’s proportionate share of the net PERS pension liability was \$72,549,174. See “APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT– Note 11” attached hereto.

[REMAINDER OF PAGE LEFT BLANK]

Other Post-Employment Benefits

Benefits Plan. The District administers a single-employer defined healthcare benefit plan (the “Plan”) providing post-employment healthcare benefits (the “Benefits”) to eligible retirees of the District and certain eligible dependents. The District maintains the same medical plans for retirees as it does for active employees, as well as additional medical plan options for out-of-area retirees and Medicare-eligible retirees. All employees who retire after January 1, 1984 are eligible for District contributions towards these plan premiums, which is subject to an annual per-month cap. For fiscal year 2017-2018, this cap was \$1,701.61 per month. For fiscal year 2018-2019, this cap is set at \$1,721.58. Subject to the cap, the exact Benefits offered vary by bargaining unit or non-represented group, age, and years of service to the District. For additional information see “APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12.” As of June 30, 2018, there were 438 retirees and beneficiaries receiving benefits, and 1,874 active employee members.

Funding Policy. The District recognizes expenses for the Benefits on a pay-as-you-go basis to cover the District’s contribution towards premiums for current retirees. The District’s contributions towards the Benefits for fiscal years 2015-16 through 2017-18 were \$5,446,216, \$4,554,239 and \$4,925,458, respectively. For fiscal year 2018-19, the District currently projects \$5,105,911 as its contribution towards Benefits.

The District, in the past, has also deposited surplus funds, as and when available, into a special fund for post-employment benefits (Fund 67), to begin funding its outstanding liability (discussed herein) for the Benefits. As of June 30, 2019, the balance of this fund is \$7,202,020. Fund 67, however, has not been irrevocably pledged to the payment of Benefits, may be accessed by the District for other purposes upon formal action of the Board. The District has not budgeted a contribution to Fund 67 for fiscal year 2019-20.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB Statement No. 74”) and *Governmental Accounting Standards Board Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB Statement No. 75”), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB Statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study was dated June 11, 2018 (the “Study”), and had a valuation date of July 1, 2017. The Study concluded that the Total OPEB Liability (the “TOL”) with respect to such Benefits was \$220,622,637. Because the District does not maintain a qualifying irrevocable trust, the District’s Fiduciary Net Position (or “FNP”) is equal to zero and the Net OPEB Liability (the “NOL”) is equal to the TOL. For more information regarding the District’s other post-employment benefit liability, see “APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12” attached hereto. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District’s health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statements No. 43 and 57 and Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to

plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the net OPEB Liability (NOL), to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the total OPEB liability (the TOL), if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (FNP) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District will first recognize GASB No. 74 and GASB No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time.

Medicare Premium Payment Program. The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan 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 Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments 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.

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB statements No. 74 and No. 75. The District's proportionate share of the net MPP Program liability as of June 30, 2019 was \$1,585,275.

Risk Management

The District is exposed to various risks of loss related to property, general liability, workers' compensation and employee benefits. These risks are addressed through a combination of commercial insurance, self-insurance and participation in certain public entity risk pools. With respect to workers' compensation liability, the District maintains an internal service fund to account for finance uninsured risks, and purchases commercial insurance for excess coverage.

The District participates in the ASCIP and OCIP joint powers authorities (the “JPAs”). ASCIP provides general property and liability, auto, cybercrime and criminal insurance for its member districts. OCIP provides builders’ risk, workers compensation and liability excess and contractors pollution coverage. The District pays a premium commensurate with the level of coverage requested. The relationship between the District and the JPAs is such that each JPA not a component unit of the District for financial reporting purposes.

There are a number of claims pending against the District. In the opinion of the District, the related liability, if any, stemming from these claims will not materially affect the financial condition of the District. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage.

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt obligations.

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2018, is shown below:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
General Obligation Bonds:				
Principal Payments	\$398,097,765	--	\$8,525,000	\$389,572,765
Accreted Interest	3,323,544	\$2,235,062	--	5,558,606
Unamortized Premiums	<u>27,059,108</u>	--	<u>1,191,820</u>	<u>25,867,288</u>
Total bonded debt	428,480,417	2,235,062	9,716,820	420,998,659
Compensated absences	1,029,637	246,266	--	1,275,903
Net Pension Liability	249,420,228	42,076,462	--	291,496,690
Other postemployment benefits (OPEB) ⁽¹⁾	<u>215,202,115</u>	<u>12,469,140</u>	<u>5,463,343</u>	<u>222,207,912</u>
Total	<u>\$894,132,397</u>	<u>\$57,026,930</u>	<u>\$15,180,163</u>	<u>\$935,979,164</u>

⁽¹⁾ Beginning balance of OPEB liability has been restated due to the implementation of GASB Statement No. 75.
Source: Chaffey Joint Union High School District.

General Obligation Bonds. The table on the following page summarizes the District’s annual debt service requirements for all outstanding general obligation bonds of the District, including the Bonds (and assuming no optional redemptions).

GENERAL OBLIGATION BONDS – CONSOLIDATED DEBT SERVICE SCHEDULE*
Chaffey Joint Union High School District

Year Ending (August 1)	2011 Refunding Bonds⁽¹⁾	Election of 2012 Series A Bonds⁽¹⁾	2014 Refunding Bonds	Election of 2012 Series B Bonds	Election of 2012 Series C Bonds	Election of 2012 Series D Bonds	Series E Bonds⁽²⁾	The Refunding Bonds⁽²⁾	Total Annual Debt Service
2020	\$2,507,950.00	\$1,316,100.00	\$4,710,076.26	\$5,204,000.00	\$4,337,212.50	\$6,758,409.17			
2021	2,546,250.00	1,649,100.00	4,672,437.76	5,214,000.00	3,817,212.50	6,533,900.00			
2022	--	1,932,100.00	4,640,195.26	5,689,000.00	3,817,212.50	2,447,900.00			
2023	--	2,026,500.00	902,076.90	5,779,000.00	3,817,212.50	2,503,900.00			
2024	--	--	--	5,894,000.00	3,932,212.50	2,742,500.00			
2025	--	--	--	6,089,000.00	4,127,212.50	2,867,250.00			
2026	--	--	--	6,314,000.00	4,272,212.50	3,024,750.00			
2027	--	--	--	6,579,000.00	4,357,212.50	3,148,000.00			
2028	--	--	--	7,609,000.00	4,152,212.50	3,123,000.00			
2029	--	--	--	7,899,000.00	4,372,212.50	3,333,000.00			
2030	--	--	--	8,394,000.00	4,577,212.50	3,538,000.00			
2031	--	--	--	9,054,000.00	4,667,212.50	3,753,000.00			
2032	--	--	--	9,559,000.00	4,797,212.50	4,003,000.00			
2033	--	--	--	9,879,000.00	4,982,212.50	4,293,000.00			
2034	--	--	--	11,094,000.00	4,832,212.50	4,413,000.00			
2035	--	--	--	12,029,000.00	4,907,212.50	4,673,000.00			
2036	--	--	--	12,839,000.00	5,132,212.50	6,288,000.00			
2037	--	--	--	13,409,000.00	5,447,212.50	6,808,000.00			
2038	--	--	--	14,244,000.00	5,622,212.50	7,253,000.00			
2039	--	--	--	15,399,000.00	5,642,212.50	7,613,000.00			
2040	--	--	--	14,829,000.00	8,772,212.50	7,293,000.00			
2041	--	--	--	20,594,600.00	4,627,212.50	7,698,000.00			
2042	--	--	--	22,151,100.00	4,762,212.50	8,213,000.00			
2043	--	--	--	24,398,050.00	4,582,212.50	8,533,000.00			
2044	--	--	--	27,884,600.00	5,606,612.50	9,703,000.00 ⁽³⁾			
2045	--	--	--	--	26,738,812.50	11,028,000.00			
2046	--	--	--	--	29,047,062.50	11,817,000.00			
2047	--	--	--	--	31,553,050.00	12,660,400.00			
2048	--	--	--	--	--	13,564,200.00			
2049	--	--	--	--	--	14,534,000.00			
Total	<u>\$5,054,200.00</u>	<u>\$6,923,800.00</u>	<u>\$14,924,786.18</u>	<u>\$288,027,350.00</u>	<u>\$207,298,637.50</u>	<u>\$194,161,209.17</u>			

* Preliminary, subject to change.

(1) Excludes debt service on the Prior Bonds, to be refunded with proceeds from the Bonds.

(2) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2020 with regard to the Series E Bonds and February 1, 2020 with regard to the Refunding Bonds. Principal payment dates due August 1 of each year.

(3) Capital Appreciation Bond in this year matures on February 1.

TAX MATTERS

Series E Bonds. In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, interest on the Series E Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series E Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series E Bond (the first price at which a substantial amount of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series E Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series E Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series E Bond Owner will increase the Series E Bond Owner’s basis in the applicable Series E Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Series E Bond is excluded from the gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owners of the Series E Bonds is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series E Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series E Bonds to assure that interest (and original issue discount) on the Series E Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Internal Revenue Code of 1986, as amended (the “Code”) might cause the interest (and original issue discount) on the Series E Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series E Bonds. The District has covenanted to comply with all such requirements.

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

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

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

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

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

A copy of the proposed form of opinion of Bond Counsel for the Series E Bonds are attached hereto as APPENDIX A.

Refunding Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Refunding Bond (the first price at which a substantial amount of the Refunding Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Refunding Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Refunding Bond will increase the Owner's basis in the Refunding Bond. Owners of Refunding Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Refunding Bonds.

In the event of a legal defeasance of a Refunding Bond, such bond might be treated as retired and “reissued” for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Refunding Bondholder generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Refunding Bondholder’s adjusted tax basis in such bond.

The amount by which a Refunding Bond Owner’s original basis for determining gain or loss on sale or exchange of the applicable Refunding Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Refunding Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Refunding Bond Owner’s basis in the applicable Refunding Bond (and the amount of taxable interest received). The basis reduction as a result of the amortization of bond premium may result in the Owner of a Refunding Bond realizing a taxable gain when a Refunding Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Refunding Bond to the Owner. The Owners of the Refunding Bonds that have a basis in the Refunding Bonds that is greater than the principal amount of the Refunding Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The federal tax and State of California personal income tax discussion set forth above with respect to the Refunding Bonds is included for general information only and may not be applicable depending upon a Owner’s particular situation. The ownership and disposition of the Refunding Bonds and the accrual or receipt of interest with respect to the Refunding Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

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

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of school districts. See “DISTRICT FINANCIAL INFORMATION – Budget Process” herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed thereby, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long

as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See “THE BONDS – Security and Sources of Payment” herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of “special revenues” within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property revenues should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the proceeds general obligation bonds can only be used to finance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s pooled investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – SAN BERNARDINO COUNTY TREASURY POOL” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinions of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain 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 (which currently ends June 30), commencing with the report for the 2018-19 Fiscal Year, and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, the District has not failed to file annual reports and notices of listed as required by its existing undertakings pursuant to the Rule.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or

contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 28, 2018 of Nigro & Nigro, PC (the "Auditor"), are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon as APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinions

The legal opinions of Bond Counsel approving the validity of each series of the Bonds will be supplied to the original purchasers thereof without cost. The proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of "Aa1" by Moody's and "AA-" by S&P Global Ratings. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Bonds. See "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

RBC Capital Markets, LLC, has agreed, pursuant to purchase contracts relating to each series of the Bonds, each by and between the District and the Underwriter, to purchase all of the Bonds. The

Underwriter will purchase the Series E Bonds for a purchase price of \$ _____ (consisting of the principal amount of the Series E Bonds of \$ _____ plus original issue premium of \$ _____, less Underwriter's discount of \$ _____). The Underwriter will purchase the Refunding Bonds for a purchase price of \$ _____ (consisting of the principal amount of the Refunding Bonds of \$ _____ plus original issue premium of \$ _____, less Underwriter's discount of \$ _____).

The purchase contracts for the Bonds provide that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contracts, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

The Underwriter has provided the following paragraphs for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District:

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the District. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District; provided, however, that potential investors are advised that the offering of the Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than as contained in the Official Statement.

The Underwriter made a voluntary contribution to the committee that was formed to support the election that authorized the issuance of the Prior Bonds, and the Series E Bonds to be sold.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Certain of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

[REMAINDER OF PAGE LEFT BLANK]

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds.

**CHAFFEY JOINT UNION HIGH SCHOOL
DISTRICT**

By: _____

Dr. Mathew Holton
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Series E Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Series E Bonds substantially in the following form:

_____, 2019

Board of Trustees
Chaffey Joint Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$_____ Chaffey Joint Union High School District (San Bernardino County, California) Election of 2012 General Obligation Bonds, Series E (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State of California (the "Act"), commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the Chaffey Joint Union High School District (the "District") voting at an election held on November 6, 2012, and a resolution of the Board of Trustees of the District adopted on October 15, 2019 (the "Resolution").
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal

alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

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

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

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Upon issuance and delivery of the Refunding Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Refunding Bonds substantially in the following form:

[Closing Date]

Board of Trustees
Chaffey Joint Union High School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ _____ Chaffey Joint Union High School District 2019 General Obligation Refunding Bonds (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Government Code Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5, and a resolution of the Board of Trustees of the District adopted on October 15, 2019 (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).
4. Interest on the Bonds is exempt from State of California personal income tax.
5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner’s basis in the applicable Bond.
6. The amount by which a Bond owner’s original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner’s basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a

Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5) and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX B

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

**CHAFFEY JOINT UNION HIGH
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2018**



CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2018

Table of Contents

FINANCIAL SECTION		<u>Page</u>
Independent Auditors' Report.....		1
Management's Discussion and Analysis.....		3
Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position.....		12
Statement of Activities.....		13
Governmental Funds Financial Statements:		
Balance Sheet.....		14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....		15
Statement of Revenues, Expenditures, and Changes in Fund Balances.....		16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....		17
Proprietary Fund Financial Statements:		
Statement of Net Position.....		18
Statement of Revenues, Expenses, and Changes in Fund Net Position.....		19
Statement of Cash Flows.....		20
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position.....		21
Statement of Changes in Due to Student Groups.....		22
Notes to Financial Statements.....		23

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	54
Schedule of Proportionate Share of the Net Pension Liability.....	55
Schedule of Pension Contributions.....	56
Schedule of Changes in the District's Total OPEB Liability and Related Ratios.....	57
Schedule of Changes in the District's Total OPEB Liability and Related Ratios-MPP Program.....	58
Notes to the Required Supplementary Information.....	59

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure.....	60
Schedule of Average Daily Attendance.....	61
Schedule of Instructional Time.....	62
Schedule of Financial Trends and Analysis.....	63
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	64
Schedule of Expenditures of Federal Awards.....	65
Combining Statements – Non-Major Governmental Funds:	
Combining Balance Sheet.....	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	67
Combining Statements – Fiduciary Funds:	
Combining Statement of Net Position.....	68
Combining Statement of Changes in Amounts Due to Student Groups.....	69
Note to the Supplementary Information.....	70

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
Table of Contents

OTHER INDEPENDENT AUDITORS' REPORTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	71
Independent Auditors' Report on State Compliance	73
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	75

FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs:	
Summary of Auditors' Results	77
Current Year Audit Findings and Questioned Costs	78
Summary Schedule of Prior Audit Findings	81
Management Letter	82

Financial Section

(This page intentionally left blank)



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Chaffey Joint Union High School District
Ontario, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chaffey Joint Union High School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chaffey Joint Union High School District, as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a \$146,486,653 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 61 to 69, including and the schedule of expenditures of federal awards on page 65, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 60 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, 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 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 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
November 28, 2018

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2018

This discussion and analysis of Chaffey Joint Union High School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$21.2 million, or 28.7%.
- Governmental expenses were \$334.9 million. Revenues were \$313.7 million.
- The District spent just under \$57.0 million in new capital assets during the year. These expenditures were incurred primarily due to building and modernization projects.
- The District increased its outstanding long-term debt by \$41.8 million. This was primarily due to an increase in the net pension liability and OPEB under GASB Statement No. 75.
- Grades 9-12 average daily attendance (ADA) decreased by 5, or .02%.

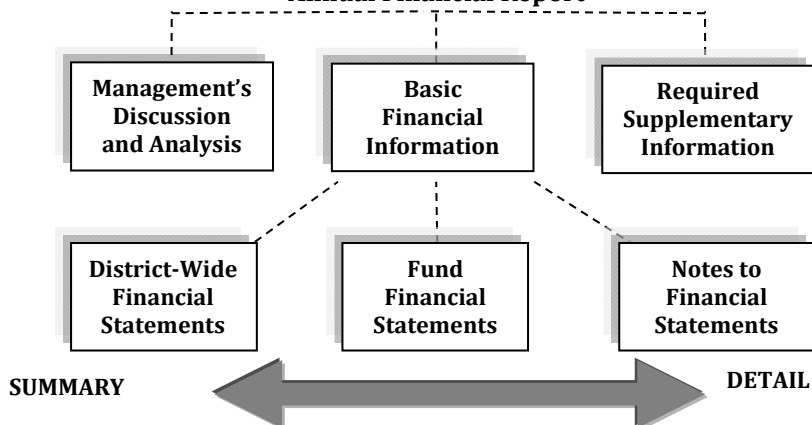
OVERVIEW OF THE FINANCIAL STATEMENTS

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 *fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1. Organization of Chaffey Joint Union High School District's Annual Financial Report

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.



CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 three kinds of funds:

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 28.7% to \$(95.1) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2018	2017*	Increase (Decrease)
Assets			
Current assets	\$ 275,946,834	\$ 336,512,675	\$ (60,565,841)
Capital assets	514,873,695	468,291,949	46,581,746
Total assets	790,820,529	804,804,624	(13,984,095)
Deferred outflows of resources	106,588,922	76,817,341	29,771,581
Liabilities			
Current liabilities	45,997,277	49,022,067	(3,024,790)
Long-term liabilities	644,482,474	644,712,169	(229,695)
Net pension liability	291,496,690	249,420,228	42,076,462
Total liabilities	981,976,441	943,154,464	38,821,977
Deferred inflows of resources	10,504,156	12,365,185	(1,861,029)
Net position			
Net investment in capital assets	205,683,404	200,676,537	5,006,867
Restricted	64,493,800	64,217,915	275,885
Unrestricted	(365,248,350)	(338,792,136)	(26,456,214)
Total net position	\$ (95,071,146)	\$ (73,897,684)	\$ (21,173,462)

* As restated.

Changes in net position, governmental activities. The District's total revenues decreased 5.7% to \$313.7 million (See Table A-2). The decrease is due primarily to changes in federal and state operating grants and other general revenues.

The total cost of all programs and services decreased 5.5% to \$334.7 million. The District's expenses are predominantly related to educating and caring for students, 75.2%. The purely administrative activities of the District accounted for just 3.9% of total costs. A significant contributor to the decrease in costs was changes in the District's personnel and material costs.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Revenues			
Program Revenues:			
Charges for services	\$ 5,704,437	\$ 6,460,373	\$ (755,936)
Operating grants and contributions	41,613,946	52,732,461	(11,118,515)
Capital grants and contributions	203,455	139,072	64,383
General Revenues:			
Property taxes	95,989,355	91,030,040	4,959,315
Federal and state aid not restricted	164,838,514	167,923,945	(3,085,431)
Other general revenues	5,339,090	14,216,499	(8,877,409)
Total Revenues	313,688,797	332,502,390	(18,813,593)
Expenses			
Instruction-related	213,774,310	227,600,574	(13,826,264)
Pupil services	37,965,280	38,396,605	(431,325)
Administration	12,964,503	13,915,377	(950,874)
Plant services	43,595,223	41,837,813	1,757,410
All other activities	26,562,943	32,487,092	(5,924,149)
Total Expenses	334,862,259	354,237,461	(19,375,202)
Increase (decrease) in net position	(21,173,462)	(21,735,071)	561,609
Total net position	\$ (95,071,146)	\$ (73,897,684)	\$ (21,173,462)

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 \$228.9 million, which is below last year's ending fund balance of \$283.7 million. The primary cause of the decreased fund balance is the spending and utilization of assets in the Building Fund.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
General Fund	\$ 61,207,902	\$ 276,204,362	\$ 281,802,100	\$ -	\$ 55,610,164
Adult Education Fund	4,552,537	8,595,645	8,478,944	-	4,669,238
Cafeteria Fund	2,427,163	9,268,195	9,901,571	-	1,793,787
Special Reserve Fund (Other Than Capital Outlay)	4,326,599	54,003	-	-	4,380,602
Building Fund	157,541,461	2,337,406	53,629,105	-	106,249,762
Capital Facilities Fund	1,870,977	3,806,396	670,484	-	5,006,889
County School Facilities Fund	16,301,410	203,455	4,387	-	16,500,478
Special Reserve Fund (Capital Outlay)	4,578,385	3,708,221	491,268	-	7,795,338
Bond Interest and Redemption Fund	30,895,557	17,736,271	21,728,536	-	26,903,292
	\$ 283,701,991	\$ 321,913,954	\$ 376,706,395	\$ -	\$ 228,909,550

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

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 \$11.7 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$9.2 million due to negotiated salary and benefit increases.
- Other non-capital expenses – increased \$5.1 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$10.7 million, the actual results for the year show that expenditures exceeded revenues by roughly \$5.6 million. Actual revenues were \$2.0 million less than anticipated, and expenditures were \$7.1 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had invested almost \$57.0 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$10.3 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Land	\$ 57,002,529	\$ 57,002,529	\$ -
Improvement of sites	35,741,666	33,540,658	2,201,008
Buildings	193,153,018	190,017,026	3,135,992
Furniture and equipment	5,195,821	5,468,356	(272,535)
Construction in progress	223,780,661	182,263,380	41,517,281
Total	\$ 514,873,695	\$ 468,291,949	46,581,746

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$936.0 million in general obligation bonds, compensated absences and postemployment benefits – an increase of 4.7% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2018	2017*	
General obligation bonds	\$ 420,998,659	\$ 428,480,417	\$ (7,481,758)
Compensated absences	1,275,903	1,029,637	246,266
Net pension liability	291,496,690	249,420,228	42,076,462
Other postemployment benefits (OPEB)	222,207,912	215,202,115	7,005,797
Total	<u>\$ 935,979,164</u>	<u>\$ 894,132,397</u>	<u>\$ 41,846,767</u>

* As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes \$15.9 Billion in Total Reserves

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by \$700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending

The budget assumed total state spending of \$197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is \$138.7 billion—an increase of \$11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased \$1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Proposition 98 Establishes Minimum Spending Level

This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18

From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level

For 2018-19, total Proposition 98 spending across all segments is \$78.4 billion, an increase of \$2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

\$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19

The enacted 2018-19 level is \$2.4 billion (3.6%) more than the revised 2017-18 level and \$3.2 billion (4.9%) more than the *2017-18 Budget Act* level. The budget increases spending per student by \$579 (5.2%) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to \$11,645.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the \$5.7 billion, \$4 billion (70%) is ongoing and \$1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes \$594 million in Proposition 51 bond authority for school facility projects and \$100 million in non-Proposition 98 funding for kindergarten school facilities.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates

In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is \$3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to \$61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants

The largest one-time spending initiative for K-12 education is \$1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated \$183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total \$145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only \$202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be \$668 million.

All of these factors were considered in preparing the Chaffey Joint Union High School District budget for the 2018-19 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 the District's Fiscal Services Office at (909) 988-8511.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT*Statement of Net Position**June 30, 2018*

	<u>Total Governmental Activities</u>
ASSETS	
Cash	\$ 263,768,264
Accounts receivable	10,707,795
Inventories	397,383
Prepaid expenses	1,073,392
Non-depreciable assets	280,783,190
Depreciable assets	348,017,930
Less accumulated depreciation	<u>(113,927,425)</u>
Total assets	<u>790,820,529</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	2,777,054
Deferred outflows from pensions	98,897,523
Deferred outflows from OPEB	<u>4,914,345</u>
Total deferred outflows of resources	<u>106,588,922</u>
LIABILITIES	
Accounts payable	45,830,891
Unearned revenue	166,386
Long-term liabilities:	
Portion due or payable within one year	11,511,820
Portion due or payable after one year	632,970,654
Net pension liability	<u>291,496,690</u>
Total liabilities	<u>981,976,441</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	<u>10,504,156</u>
NET POSITION	
Net investment in capital assets	205,683,404
Restricted for:	
Capital projects	29,302,705
Debt service	26,903,292
Categorical programs	8,287,803
Unrestricted	<u>(365,248,350)</u>
Total net position	<u>\$ (95,071,146)</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instructional Services:					
Instruction	\$ 183,616,114	\$ 32,842	\$ 20,203,152	\$ 203,455	\$(163,176,665)
Instruction-Related Services:					
Supervision of instruction	7,723,913	13,483	2,232,840	-	(5,477,590)
Instructional library, media and technology	6,312,839	3,312	75,902	-	(6,233,625)
School site administration	16,121,444	21,245	1,029,405	-	(15,070,794)
Pupil Support Services:					
Home-to-school transportation	5,815,683	-	1,208	-	(5,814,475)
Food services	10,202,590	1,708,409	7,234,877	-	(1,259,304)
All other pupil services	21,947,007	4,550	1,561,446	-	(20,381,011)
Ancillary services	2,493,505	-	1,952	-	(2,491,553)
Community services	180,023	-	452	-	(179,571)
General Administration Services:					
Data processing services	1,874,522	-	722	-	(1,873,800)
Other general administration	11,089,981	71,399	2,359,898	-	(8,658,684)
Plant services	41,101,718	2,706,294	2,949,873	-	(35,445,551)
Enterprise activities	88,646	-	333	-	(88,313)
Interest on long-term debt	16,468,165	-	-	-	(16,468,165)
Other outgo	9,826,109	1,142,903	3,961,886	-	(4,721,320)
Total Governmental Activities	\$ 334,862,259	\$ 5,704,437	\$ 41,613,946	\$ 203,455	(287,340,421)
General Revenues:					
Property taxes					95,989,355
Federal and state aid not restricted to specific purpose					164,838,514
Interest and investment earnings					1,129,691
Interagency revenues					2,640,397
Miscellaneous					1,569,002
Total general revenues					266,166,959
Change in net position					(21,173,462)
Net position - July 1, 2017, as originally stated					72,588,969
Restatement - change in accounting principle					(146,486,653)
Net position - July 1, 2017, as restated					(73,897,684)
Net position - June 30, 2018					\$ (95,071,146)

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 76,291,055	\$ 112,581,374	\$ 26,903,292	\$ 36,891,804	\$ 252,667,525
Accounts receivable	8,063,098	507,300	-	2,097,348	10,667,746
Due from other funds	1,833,577	-	-	586	1,834,163
Inventories	254,527	-	-	142,856	397,383
Prepaid expenditures	-	1,073,392	-	-	1,073,392
Total Assets	<u>\$ 86,442,257</u>	<u>\$ 114,162,066</u>	<u>\$ 26,903,292</u>	<u>\$ 39,132,594</u>	<u>\$ 266,640,209</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 24,208,081	\$ 7,912,304	\$ -	\$ 1,454,241	\$ 33,574,626
Due to other funds	2,120,545	-	-	1,869,102	3,989,647
Unearned revenue	122,865	-	-	43,521	166,386
Total Liabilities	<u>26,451,491</u>	<u>7,912,304</u>	<u>-</u>	<u>3,366,864</u>	<u>37,730,659</u>
Fund Balances					
Nonspendable	329,527	1,073,392	-	142,856	1,545,775
Restricted	3,689,946	105,176,370	26,903,292	33,757,706	169,527,314
Assigned	13,846,864	-	-	1,865,168	15,712,032
Unassigned	42,124,429	-	-	-	42,124,429
Total Fund Balances	<u>59,990,766</u>	<u>106,249,762</u>	<u>26,903,292</u>	<u>35,765,730</u>	<u>228,909,550</u>
Total Liabilities and Fund Balances	<u>\$ 86,442,257</u>	<u>\$ 114,162,066</u>	<u>\$ 26,903,292</u>	<u>\$ 39,132,594</u>	<u>\$ 266,640,209</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2018

Total fund balances - governmental funds \$ 228,909,550

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost:	628,801,120	
Accumulated depreciation:	<u>(113,927,425)</u>	
Net:		514,873,695

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: 2,777,054

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: (6,302,214)

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 government-wide statements, consist of:

General obligation bonds payable	420,998,659	
Compensated absences	1,275,903	
Other postemployment benefits payable	<u>222,207,912</u>	
Total		(644,482,474)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (291,496,690)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	98,897,523	
Deferred inflows of resources relating to pensions	<u>(10,504,156)</u>	
Net:		88,393,367

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported. 4,914,345

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is: 7,342,221

Total net position - governmental activities \$ (95,071,146)

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 229,951,103	\$ -	\$ -	\$ -	\$ 229,951,103
Federal sources	11,455,987	-	-	7,927,927	19,383,914
Other state sources	22,632,662	-	93,743	7,822,315	30,548,720
Other local sources	12,218,613	2,337,406	17,642,528	9,831,670	42,030,217
Total Revenues	276,258,365	2,337,406	17,736,271	25,581,912	321,913,954
EXPENDITURES					
Current:					
Instruction	178,633,980	-	-	2,610,159	181,244,139
Instruction-related services:					
Supervision of instruction	6,647,960	-	-	809,423	7,457,383
Instructional library, media and technology	5,754,990	-	-	23,240	5,778,230
School site administration	14,528,927	-	-	871,086	15,400,013
Pupil support services:					
Home-to-school transportation	5,273,666	-	-	-	5,273,666
Food services	46,250	-	-	9,554,216	9,600,466
All other pupil services	20,748,105	-	-	288,611	21,036,716
Ancillary services	2,321,993	-	-	-	2,321,993
Community services	173,939	-	-	1,673	175,612
Enterprise activities	69,192	-	-	-	69,192
General administration services:					
Data processing services	1,731,706	-	-	-	1,731,706
Other general administration	9,011,439	-	-	114,743	9,126,182
Plant services	26,474,673	94,617	-	772,336	27,341,626
Transfers of indirect costs	(497,154)	-	-	497,154	-
Capital outlay	4,031,927	53,534,488	-	1,030,911	58,597,326
Intergovernmental transfers	6,850,507	-	-	2,973,102	9,823,609
Debt service:					
Principal	-	-	8,525,000	-	8,525,000
Interest	-	-	13,203,536	-	13,203,536
Total Expenditures	281,802,100	53,629,105	21,728,536	19,546,654	376,706,395
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,543,735)	(51,291,699)	(3,992,265)	6,035,258	(54,792,441)
Fund Balances, July 1, 2017	65,534,501	157,541,461	30,895,557	29,730,472	283,701,991
Fund Balances, June 30, 2018	\$ 59,990,766	\$ 106,249,762	\$ 26,903,292	\$ 35,765,730	\$ 228,909,550

CHAFFEY JOINT UNION HIGH 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, 2018

Total net change in fund balances - governmental funds \$ (54,792,441)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	56,978,909	
Depreciation expense	<u>(10,330,365)</u>	46,648,544

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: 8,525,000

In governmental funds, other postemployment benefits (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (2,089,451)

In government 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 pension costs and actual employer contributions was: (14,956,546)

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 for the period was: (2,235,062)

The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. Deferred amounts on refunding amortized during the year were: (401,650)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (66,798)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 1,191,820

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: (1,821,741)

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). (246,266)

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities. (928,871)

Change in net position of governmental activities \$ (21,173,462)

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2018

	Governmental Activities Self-Insurance Fund
ASSETS	
Current Assets:	
Cash	\$ 11,100,739
Due from other funds	2,157,207
Accounts receivable	40,049
	<hr/>
Total Current Assets	13,297,995
	<hr/>
LIABILITIES	
Estimated liability for open claims and IBNR	5,812,991
Accounts payable and accrued liabilities	141,060
Due to other funds	1,723
	<hr/>
Total Liabilities	5,955,774
	<hr/>
NET POSITION	
Restricted	\$ 7,342,221
	<hr/> <hr/>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018*

	Governmental Activities Self-Insurance Fund
OPERATING REVENUES	
Self-Insurance premiums	\$ 2,157,881
OPERATING EXPENSES	
Certificated salaries	53,852
Payments for personnel costs	23,015
Books and supplies	195
Payments for claims and other operating expenses	3,138,536
Total operating expenses	3,215,598
OPERATING INCOME (LOSS)	(1,057,717)
NON-OPERATING REVENUES	
Interest income	128,846
Change in net position	(928,871)
Net position, July 1, 2017	8,271,092
Net position, June 30, 2018	\$ 7,342,221

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities Self-Insurance Fund
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Received from in-district premiums	\$ 1,768,328
Payments to employees and fringe benefits	(76,779)
Payments to vendors and suppliers	(60,437)
Payments on insurance claims	(2,000,931)
	<hr/>
Net cash provided (used) by operating activities	(369,819)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Investment income	119,292
	<hr/>
Net increase (decrease) in cash and cash equivalents	(250,527)
Cash, July 1, 2017	11,351,266
	<hr/>
Cash, June 30, 2018	\$ 11,100,739
	<hr/> <hr/>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ (1,057,717)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	(389,554)
Estimated liability for open claims and IBNRs	970,683
Accounts payable and accrued liabilities	106,681
Due to other funds	88
	<hr/>
Net cash used by operating activities	\$ (369,819)
	<hr/> <hr/>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

*Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018*

	Agency Fund Student Body Funds
ASSETS	
Cash	\$ 2,744,048
Accounts receivable	4,596
Inventories	163,384
Other assets	3,119
Total Assets	\$ 2,915,147
LIABILITIES	
Accounts payable	\$ 103,978
Reserves	1,494,167
Due to student groups	1,317,002
Total Liabilities	\$ 2,915,147

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Statement of Changes in Due to Student Groups
For the Fiscal Year Ended June 30, 2018

	Student Body Funds
ADDITIONS	
Revenue from local sources	\$ 2,617,133
DEDUCTIONS	
Other expenses	<u>2,606,353</u>
Change in due to student groups	<u>10,780</u>
Due to Student Groups - Beginning of Year, as originally stated	1,305,223
Adjustment for Restatements	<u>999</u>
Due to Student Groups - Beginning of Year, as restated	<u>1,306,222</u>
Due to Student Groups - End of Year	<u><u>\$ 1,317,002</u></u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chaffey Joint Union High 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 Chaffey Joint Union High School 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.

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, 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.

Fund Financial Statements

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fund Financial Statements (continued)

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 maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Capital Project Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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:

Self-Insurance Fund: This fund may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a workers' compensation program that is accounted for in a self-insurance service fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary fund:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For 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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Inventories and Prepays

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.

Payments made for an Owner Controlled Insurance Program (OCIP) for costs applicable to future accounting periods are recorded as prepaid items.

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 and Improvements	20-45 years
Furniture and Equipment	5-10 years
Vehicles	6 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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and sick 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.

7. 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 Chaffey Joint Union High 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.

8. 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.

9. 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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

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.

10. 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.
- **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

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

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

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.

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. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of 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*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.
3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and “negative” goodwill
 - Classifying real estate held by insurance entities
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 - CASH

Cash at June 30, 2018, is reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 250,109,735	\$ 10,950,739	\$ 261,060,474	\$ -
Cash with fiscal agent	25,000	150,000	175,000	-
Total Pooled Funds	250,134,735	11,100,739	261,235,474	-
Deposits:				
Cash on hand and in banks	2,457,790	-	2,457,790	2,744,048
Cash in revolving fund	75,000	-	75,000	-
Total Deposits	2,532,790	-	2,532,790	2,744,048
Total Cash	\$ 252,667,525	\$ 11,100,739	\$ 263,768,264	\$ 2,744,048

Pooled Funds

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

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 2 – CASH (continued)

Custodial Credit Risk – Deposits (continued)

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, 2018, \$5,053,613 of the District's bank balance was exposed to custodial credit risk because it was uninsured. However, all of the balance was collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consisted of the following:

	Governmental Funds			Total	Proprietary	Total
	General Fund	Building Fund	Non-Major Governmental Funds		Fund Self-Insurance Fund	
Federal Government:						
Categorical aid programs	\$ 4,621,808	\$ -	\$ 1,601,022	\$ 6,222,830	\$ -	\$ 6,222,830
State Government:						
Lottery	1,002,258	-	-	1,002,258	-	1,002,258
Categorical aid programs	237,650	-	206,617	444,267	-	444,267
Local:						
Interest	363,390	507,300	116,967	987,657	40,049	1,027,706
Special education	832,421	-	-	832,421	-	832,421
Interagency	371,415	-	-	371,415	-	371,415
Other local	634,156	-	172,742	806,898	-	806,898
Total	\$ 8,063,098	\$ 507,300	\$ 2,097,348	\$ 10,667,746	\$ 40,049	\$ 10,707,795

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2018, consisted of the following:

	Due From Other Funds				Total
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund	
General Fund	\$ -	\$ 586	\$ 586	\$ 2,119,959	\$ 2,120,545
Non-Major Governmental Funds	1,831,854	-	1,831,854	37,248	1,869,102
Self-Insurance Fund	1,723	-	1,723	-	1,723
Total	\$ 1,833,577	\$ 586	\$ 1,834,163	\$ 2,157,207	\$ 3,991,370

General Fund due from Adult Education Fund for stores inventory, indirect costs and salary costs	\$ 233,304
General Fund due from Cafeteria Fund for indirect costs, benefit costs, custodial costs and grounds costs	1,485,433
General Fund due from Capital Facilities Fund for indirect costs	113,117
General Fund due from Self-Insurance Fund for benefit costs	1,723
Adult Education Fund due from General Fund for correction of Edison amount	586
Self-Insurance Fund due from General Fund for workers compensation premium	2,119,959
Self-Insurance Fund due from Adult Education Fund for workers compensation premium	37,248
Total	\$ 3,991,370

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Stores inventories	254,527	-	-	142,856	397,383
Prepaid expenditures	-	1,073,392	-	-	1,073,392
Total Nonspendable	329,527	1,073,392	-	142,856	1,545,775
Restricted:					
Categorical programs	3,689,946	-	-	2,804,070	6,494,016
Food services program	-	-	-	1,650,931	1,650,931
Capital projects	-	105,176,370	-	29,302,705	134,479,075
Debt service	-	-	26,903,292	-	26,903,292
Total Restricted	3,689,946	105,176,370	26,903,292	33,757,706	169,527,314
Assigned:					
Adult education program	-	-	-	1,865,168	1,865,168
Other assignments	13,846,864	-	-	-	13,846,864
Total Assigned	13,846,864	-	-	1,865,168	15,712,032
Unassigned:					
Reserve for economic uncertainties	8,454,063	-	-	-	8,454,063
Remaining unassigned balances	33,670,366	-	-	-	33,670,366
Total Unassigned	42,124,429	-	-	-	42,124,429
Total	\$ 59,990,766	\$ 106,249,762	\$ 26,903,292	\$ 35,765,730	\$ 228,909,550

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	\$ 57,002,529	\$ -	\$ -	\$ 57,002,529
Construction in progress	182,263,380	47,355,591	5,838,310	223,780,661
Total capital assets not being depreciated	<u>239,265,909</u>	<u>47,355,591</u>	<u>5,838,310</u>	<u>280,783,190</u>
Capital assets being depreciated:				
Improvement of sites	56,037,831	5,266,210	-	61,304,041
Buildings	261,979,614	9,354,567	-	271,334,181
Furniture and equipment	14,768,477	840,851	229,620	15,379,708
Total capital assets being depreciated	<u>332,785,922</u>	<u>15,461,628</u>	<u>229,620</u>	<u>348,017,930</u>
Accumulated depreciation for:				
Improvement of sites	(22,497,173)	(3,065,202)	-	(25,562,375)
Buildings	(71,962,588)	(6,218,575)	-	(78,181,163)
Furniture and equipment	(9,300,121)	(1,046,588)	(162,822)	(10,183,887)
Total accumulated depreciation	<u>(103,759,882)</u>	<u>(10,330,365)</u>	<u>(162,822)</u>	<u>(113,927,425)</u>
Total capital assets being depreciated, net	<u>229,026,040</u>	<u>5,131,263</u>	<u>66,798</u>	<u>234,090,505</u>
Governmental activities capital assets, net	<u>\$ 468,291,949</u>	<u>\$ 52,486,854</u>	<u>\$ 5,905,108</u>	<u>\$ 514,873,695</u>

Depreciation expense is charged to Plant Services on the Statement of Activities.

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 398,097,765	\$ -	\$ 8,525,000	\$ 389,572,765	\$ 10,306,794
Accreted interest	3,323,544	2,235,062	-	5,558,606	13,206
Unamortized premiums	27,059,108	-	1,191,820	25,867,288	1,191,820
Total bonded debt	<u>428,480,417</u>	<u>2,235,062</u>	<u>9,716,820</u>	<u>420,998,659</u>	<u>11,511,820</u>
Compensated absences	1,029,637	246,266	-	1,275,903	-
Net Pension Liability	249,420,228	42,076,462	-	291,496,690	-
Other postemployment benefits (OPEB)	215,202,115	12,469,140	5,463,343	222,207,912	-
TOTALS	<u>\$ 894,132,397</u>	<u>\$ 57,026,930</u>	<u>\$ 15,180,163</u>	<u>\$ 935,979,164</u>	<u>\$ 11,511,820</u>

Note: Beginning balance of OPEB liability has been restated due to the implementation of GASB Statement No.75

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Compensated absences, pensions, and benefits will be paid for by the fund for which the employee worked.

Election of 2012

An election was held on November 6, 2012, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$848 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to finance the costs of renovating, acquiring, constructing, repairing, and equipping of District buildings and other facilities to pay costs of issuance associated with the bonds.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

General Obligation Bonds

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, 2018, none of the defeased bonds remain 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, 2018, deferred amounts on refunding were \$2,777,054.

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
Election of 2012 (Measure P)								
2012, Series A	4/9/2013	8/1/2043	2.0%-5.0%	\$ 100,000,000	\$ 87,935,000	\$ -	\$ 570,000	\$ 87,365,000
2012, Series B	5/6/2015	8/1/2044	1.65%-5.00%	149,996,255	143,686,255	-	2,665,000	141,021,255
2012, Series C	6/11/2017	8/1/2047	2.0%-5.25%	99,996,510	99,996,510	-	-	99,996,510
Refunding Bonds								
2011 Refunding	9/22/2011	5/1/2027	2.0%-5.0%	43,550,000	39,715,000	-	930,000	38,785,000
2014 Refunding	3/19/2014	8/1/2023	0.429%-3.687%	31,950,000	26,765,000	-	4,360,000	22,405,000
				<u>\$ 425,492,765</u>	<u>\$ 398,097,765</u>	<u>\$ -</u>	<u>\$ 8,525,000</u>	<u>\$ 389,572,765</u>
Accreted Interest Component:								
					\$ 3,297,930	\$ 2,010,846	\$ -	\$ 5,308,776
					25,614	224,216	-	249,830
					<u>\$ 3,323,544</u>	<u>\$ 2,235,062</u>	<u>\$ -</u>	<u>\$ 5,558,606</u>

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2018, were as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 10,306,794	\$ 14,769,296	\$ 25,076,090
2019-20	11,188,956	14,298,264	25,487,220
2020-21	9,078,680	14,083,283	23,161,963
2021-22	9,126,694	13,876,144	23,002,838
2022-23	10,076,126	13,643,227	23,719,353
2023-28	47,724,789	63,919,425	111,644,214
2028-33	31,613,869	65,086,550	96,700,419
2033-38	42,214,086	73,326,117	115,540,203
2038-43	82,907,771	51,159,952	134,067,723
2043-48	135,335,000	15,745,269	151,080,269
Total	<u>\$ 389,572,765</u>	<u>\$ 339,907,527</u>	<u>\$ 729,480,292</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 8 – JOINT VENTURES

The Chaffey Joint Union High School District participates in joint ventures under joint powers agreements with the Baldy View Regional Occupational Program (ROP) and the Alliance of Schools for Cooperative Insurance Programs (ASCIP). 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.

ASCIP provides property and liability insurance for its member districts. Chaffey Joint Union High School District pays a premium commensurate with the level of coverage requested. The ROP conducts vocational classes for students from neighboring districts. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board.

Condensed current financial information for the JPAs is shown below:

	ASCIP (Audited) 6/30/2017	Baldy View ROP (Unaudited) 6/30/2018
Total Assets	\$ 369,904,431	\$ 18,283,959
Deferred Outflows	354,308	-
Total Liabilities	212,247,664	13,370,804
Deferred Inflows	443,374	-
Total Net Position	<u>\$ 157,567,701</u>	<u>\$ 4,913,155</u>
Operating Revenue	\$ 226,111,139	\$ 10,622,692
Operating Expenses	218,451,597	11,565,367
Non-Operating Revenue	4,842,960	(4,339)
Change in Net Position	<u>\$ 12,502,502</u>	<u>\$ (947,014)</u>

NOTE 9 – 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, 2018, the District had commitments with respect to unfinished capital projects of approximately \$60.2 million to be paid from a combination of State and local funds.

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, 2018.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 10 – RISK MANAGEMENT

Workers' Compensation

The District is exposed to various risks of loss related to injuries to employees. During fiscal year ending June 30, 2018, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$1,000,000 for each workers' compensation claim. The District purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded the coverage in any of the past three fiscal years. Workers' compensation premiums are charged to the respective funds which generate the liability.

Claims Liability

The District records an estimated liability for workers' compensation claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2018:

	Workers' Compensation
Liability Balance, June 30, 2016	\$ 4,755,958
Claims and changes in estimates	2,025,664
Claims payments	<u>(1,939,313)</u>
Liability Balance, June 30, 2017	4,842,309
Claims and changes in estimates	2,971,614
Claims payments	<u>(2,000,932)</u>
Liability Balance, June 30, 2018	<u>\$ 5,812,991</u>
Assets available to pay claims at June 30, 2018	<u>\$ 13,297,995</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – 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).

For the fiscal year ended June 30, 2018, 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	\$ 218,947,516	\$ 74,921,643	\$ 9,649,979	\$ 27,262,785
CalPERS	72,549,174	23,975,881	854,177	14,332,432
Total	<u>\$ 291,496,690</u>	<u>\$ 98,897,523</u>	<u>\$ 10,504,156</u>	<u>\$ 41,595,217</u>

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Benefits Provided (continued)

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 60	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	60	62
Retirement Age	2.0%-2.4%	2.0%-2.4%
Monthly Benefits as a Percentage of Eligible Compensation	10.25%	9.205%
Required Employee Contribution Rate	14.43%	14.43%
Required Employer Contribution Rate	9.328%	9.328%
Required State Contribution Rate		

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District’s total contributions were \$18,148,879.

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

At June 30, 2018, 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	\$ 218,947,516
State’s proportionate share of the net pension liability associated with the District	51,132,701
Total	<u>\$ 270,080,217</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2017. 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		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.236751%	0.234000%	0.002751%

For the year ended June 30, 2018, the District recognized pension expense of \$27,262,785. In addition, the District recognized pension expense and revenue of \$2,308,201 for support provided by the State. At June 30, 2018, 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	\$ 18,148,879	\$ -
Net change in proportionate share of net pension liability	15,400,490	-
Difference between projected and actual earnings on pension plan investments	-	5,831,182
Changes of assumptions	40,562,584	-
Differences between expected and actual experience in the measurement of the total pension liability	809,690	3,818,797
Total	<u>\$ 74,921,643</u>	<u>\$ 9,649,979</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. 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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (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/(Inflows) of Resources
2019	\$ 4,197,794
2020	12,713,735
2021	9,574,414
2022	3,863,975
2023	9,486,816
Thereafter	7,286,052
Total	<u>\$ 47,122,785</u>

Actuarial Methods and Assumptions

Total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. 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-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 321,484,463
Current discount rate (7.10%)	218,947,516
1% increase (8.10%)	135,731,834

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$10,533,359 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Contributions (continued)

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$6,181,591.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$72,549,174. The net pension liability was measured as of June 30, 2017. 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		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.303901%	0.304600%	-0.000699%

For the year ended June 30, 2018, the District recognized pension expense of \$14,332,432. At June 30, 2018, 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	\$ 6,181,591	\$ -
Net change in proportionate share of net pension liability	2,088,499	-
Difference between projected and actual earnings on pension plan investments	2,509,705	-
Changes of assumptions	10,596,948	854,177
Differences between expected and actual experience in the measurement of the total pension liability	2,599,138	-
Total	\$ 23,975,881	\$ 854,177

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 4 years.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expenses, 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/(Inflows) of Resources
2019	\$ 5,226,225
2020	7,769,913
2021	5,347,001
2022	(1,403,026)
2023	-
Thereafter	-
Total	<u>\$ 16,940,113</u>

Actuarial Methods and Assumptions

Total pension liability for SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assets	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 106,743,084
Current discount rate (7.15%)	72,549,174
1% increase (8.15%)	44,182,463

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, 2018, the District reported payables of \$410,063 and \$66,188 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description

The District's 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 postretirement health plans and the District's obligation vary by employee group as described below.

Benefits provided. The medical and prescription drug benefits are fully insured through Kaiser Permanente and United Health Care (UHC). UHC offers an HMO and a PPO to active employees and retirees under age 65. Effective January 1, 2017, an additional plan, UHC Advantage, is also offered. The Kaiser HMO is also offered to active employees and retirees under 65. In addition, the District offers a UHC PPO for out-of-area retirees, Medicare-coordinated options through UHC, Anthem and Kaiser for Medicare-eligible retirees.

The District also provides for self-insured dental and vision plans through Delta Dental and Vision Service Plan (VSP).

For retirees who retire after January 1, 1984, the maximum District contribution is set equal to the family rate for Kaiser Permanente plus dental and vision composite rates. For fiscal 2017-2018, the total cap is \$1,701.61 per month. Subject to this cap, benefits vary by bargaining unit or non-represented group, as follows:

Certificated retirees with at least 15 years of full-time service and age 55 or over may retire with District-paid medical, dental, and vision benefits until age 65. Certificated retirees with at least 28 years of full-time service, age 55 or over, and hired prior to July 1, 2003, receive District-paid medical, dental and vision benefits for life.

Classified retirees with at least 15 years of service and age 55 or over, receive District-paid medical and dental benefits until age 65, at which time District-paid benefits cease. Classified unit members retiring on or after July 1, 2000 also receive vision benefits until age 65.

Management retirees hired before July 1, 2003, with at least 8 years of service and age 55 or over may retire with District-paid medical, dental and vision benefits for life. Management retirees hired on or after July 1, 2003 receive District-paid medical, dental and vision benefits until age 65.

Employees covered by benefit terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	438
Active employees	1,874
Total	<u>2,312</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Total OPEB Liability

The District's total OPEB liability of \$220,622,637 for the District Plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability of \$1,585,275 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Inflation	3.13 percent	N/A
Salary increases	3.00 percent	N/A
Healthcare cost trend rates	5.00 percent for 2018 and later years	3.58 percent
Retirees' share of benefit-related costs	\$1,701.61 monthly cap for medical, dental and vision composite; benefits vary by bargaining unit.	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

District Plan

GASB 75 requires a discount rate that reflects the following:

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability (continued)

MPP Program

The discount rate used to measure the total OPEB liability was 3.58 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 213,438,559
Changes for the year:	
Service cost	5,709,773
Interest	6,601,012
Benefit payments	(5,126,707)
Net changes	<u>7,184,078</u>
Balance at June 30, 2018	220,622,637
District's Proportionate Share of the Net MPP OPEB Liability	<u>1,585,275</u>
District's Total Reported Net OPEB Liability	<u><u>\$ 222,207,912</u></u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

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:

	1% Decrease 2.1%	Discount Rate 3.1%	1% Increase 4.1%
District Plan	\$ 256,683,979	\$ 220,622,637	\$ 191,198,855
	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	\$ 1,755,010	\$ 1,585,275	\$ 1,420,171

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:

	1% Decrease 4.00%	Healthcare Cost Trend Rates 5.00%	1% Increase 6.00%
District Plan	\$ 195,170,001	\$ 220,622,637	\$ 253,023,133
	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	\$ 1,432,538	\$ 1,585,275	\$ 1,736,486

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$12,310,785. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date of the total OPEB liability of \$4,914,345 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. The District had no other deferred outflows or inflows of resources related to OPEB at June 30, 2018.

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual*</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
LCFF Sources	\$ 229,316,328	\$ 229,951,107	\$ 229,951,103	\$ (4)
Federal Sources	10,437,817	13,557,829	11,455,987	(2,101,842)
Other State Source	15,176,276	23,228,778	22,632,662	(596,116)
Other Local Sources	11,605,759	11,473,725	12,164,610	690,885
Total Revenues	266,536,180	278,211,439	276,204,362	(2,007,077)
Expenditures				
Current:				
Certificated Salaries	121,948,778	125,772,227	124,453,326	1,318,901
Classified Salaries	41,079,381	42,646,119	41,672,523	973,596
Employee Benefits	73,422,728	77,188,802	76,468,210	720,592
Books and Supplies	7,752,725	9,154,936	7,241,842	1,913,094
Services and Other Operating Expenditures	20,259,768	24,034,724	21,939,817	2,094,907
Indirect Costs	(475,700)	(497,154)	(497,154)	-
Capital Outlay	3,158,996	3,758,170	3,673,029	85,141
Intergovernmental Transfers	6,919,953	6,850,511	6,850,507	4
Total Expenditures	274,066,629	288,908,335	281,802,100	7,106,235
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,530,449)	(10,696,896)	(5,597,738)	5,099,158
Fund Balances, July 1, 2017	61,207,902	61,207,902	61,207,902	-
Fund Balances, June 30, 2018	\$ 53,677,453	\$ 50,511,006	\$ 55,610,164	\$ 5,099,158

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.2368%	0.2340%	0.2360%	0.2080%
District's proportionate share of the net pension liability	\$ 218,947,516	\$ 189,261,540	\$ 158,884,640	\$ 121,548,960
State's proportionate share of the net pension liability associated with the District	51,132,701	107,759,081	84,032,234	73,397,247
Totals	\$ 270,080,217	\$ 297,020,621	\$ 242,916,874	\$ 194,946,207
District's covered-employee payroll	\$ 126,886,113	\$ 118,030,391	\$ 109,464,302	\$ 103,321,794
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.55%	160.35%	145.15%	117.64%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.3039%	0.3046%	0.2970%	0.2896%
District's proportionate share of the net pension liability	\$ 72,549,174	\$ 60,158,688	\$ 43,778,093	\$ 32,876,651
District's covered-employee payroll	\$ 38,759,965	\$ 36,595,265	\$ 32,859,536	\$ 30,417,873
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.18%	164.39%	133.23%	108.08%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

* 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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS				
Contractually required contribution	\$ 18,148,879	\$ 15,962,273	\$ 12,664,661	\$ 9,720,430
Contributions in relation to the contractually required contribution	<u>18,148,879</u>	<u>15,962,273</u>	<u>12,664,661</u>	<u>9,720,430</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 125,771,857</u>	<u>\$ 126,886,113</u>	<u>\$ 118,030,391</u>	<u>\$ 109,464,302</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS				
Contractually required contribution	\$ 6,181,591	\$ 5,382,984	\$ 4,335,441	\$ 3,867,896
Contributions in relation to the contractually required contribution	<u>6,181,591</u>	<u>5,382,984</u>	<u>4,335,441</u>	<u>3,867,896</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 39,801,629</u>	<u>\$ 38,759,965</u>	<u>\$ 36,595,265</u>	<u>\$ 32,859,536</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

* 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.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018*

Last 10 Fiscal Years*

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 5,709,773
Interest	6,601,012
Benefit payments	<u>(5,126,707)</u>
Net change in total OPEB liability	7,184,078
Total OPEB liability - beginning	<u>213,438,559</u>
Total OPEB liability - ending	<u><u>\$ 220,622,637</u></u>
Covered-employee payroll	<u>\$ 176,716,395</u>
Total OPEB liability as a percentage of covered- employee payroll	<u>124.85%</u>

Notes to Schedule:

No changes to report.

** 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.*

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018**(Dollars in Thousands, except for District's proportionate share)*

	2017
Total OPEB liability	
Interest	\$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	\$ 420,749
Plan fiduciary net position	
Contributions - employer	\$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	\$ 41
Net OPEB liability	\$ 420,708
District's proportionate share of net OPEB liability	\$ 1,585,275
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:*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.**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.*

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District did not incur any excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule.

Supplementary Information

(This page intentionally left blank)

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2018

The Chaffey Joint Union High School District was established in 1911. The District boundaries encompass an area of approximately 175 square miles. The District boundaries include the cities of Ontario, Montclair, Rancho Cucamonga and portions of Fontana, Upland, Chino, and Mount Baldy. There were no changes to the District's boundaries during the year. The District currently operates eight comprehensive high schools, one continuation high school, a community day school, an online high school, an adult school and alternative programs.

GOVERNING BOARD

Member	Office	Term Expires
Sue Ovitt	President	December, 2020
John Rhinehart	Vice-President	December, 2018
Charles Uhalley	Clerk	December, 2018
Arthur Bustamonte	Member	December, 2018
Shari Megaw	Member	December, 2020

DISTRICT ADMINISTRATORS

Mathew G. Holton, Ed.D.,
Superintendent

James T. Cronin,
Assistant Superintendent, Instruction

Christopher E. Hollister,
Assistant Superintendent, Alternative Instruction

Kern L. Oduro, Ph.D.,
Assistant Superintendent, Personnel

Richard G. Wiersma,
Assistant Superintendent, Business

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
	Certificate No. (3EB3495E)	Certificate No. (90526C1B)
Regular ADA & Extended Year:		
Ninth through Twelfth	22,738.73	22,644.46
Special Education, Nonpublic, Nonsectarian Schools:		
Ninth through Twelfth	90.48	87.13
Community Day School:		
Ninth through Twelfth	15.07	14.21
Total ADA	22,844.28	22,745.80
Classes for Adults:		
Adults in Correctional Facilities	79.49	88.45

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

<u>Grade Level</u>	<u>Required</u>	<u>2017-2018 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	65,097	180	Complied
Grade 10	64,800	65,097	180	Complied
Grade 11	64,800	65,097	180	Complied
Grade 12	64,800	65,097	180	Complied

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019 ³	2018 ⁴	2017	2016
Revenues and other financing sources	\$ 295,195,529	\$ 276,204,362	\$ 277,549,862	\$ 268,050,470
Expenditures	300,860,877	281,802,100	286,824,082	256,029,996
Change in fund balance (deficit)	(5,665,348)	(5,597,738)	(9,274,220)	12,020,474
Ending fund balance	\$ 49,944,816	\$ 55,610,164	\$ 61,207,902	\$ 70,482,122
Available reserves ¹	\$ 39,939,621	\$ 42,124,429	\$ 47,449,558	\$ 53,786,226
Available reserves as a percentage of total outgo	13.3%	14.9%	16.5%	21.0%
Total long-term debt	\$ 924,467,344	\$ 935,979,164	\$ 894,132,397	\$ 593,427,755
Average daily attendance at P-2 ²	22,731	22,844	22,849	23,119

The General Fund balance has decreased by \$14,871,958 over the past two years. The fiscal year 2018-19 adopted budget projects a decrease of \$5,665,348. 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 two of the past three years, and anticipates incurring an operating deficit during the 2018-19 fiscal year. Long-term debt has increased by \$342,551,409 over the past two years, which is attributable to the District's proportionate share of the liabilities for CalSTRS, CalPERS, and OPEB under GASB Statement No. 75.

Average daily attendance has decreased by 275 over the past two years. A decrease of 113 ADA is anticipated during fiscal year 2018-19.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Excludes Adult Education ADA.

³ Budget as of September, 2018.

⁴ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve for Other Than Capital Outlay Projects Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2018*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 1,136,788	
National School Lunch Program	10.555	13523	5,227,309	
USDA Donated Foods	10.555	N/A	<u>634,132</u>	
Total Child Nutrition Cluster				\$ 6,998,229
Passed through the San Bernardino County Superintendent of Schools:				
Forest Reserve Funds	10.665	10044		<u>3,395</u>
Total U.S. Department of Agriculture				<u>7,001,624</u>
U.S. Department of Defense:				
Army Junior Reserve Officer Training Corps (ROTC)	12.357	N/A		<u>437,993</u>
Total U.S. Department of Defense				<u>437,993</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education Cluster (ABE):				
Adult Basic Education & ESL	84.002A	14508	361,368	
Adult Secondary Education	84.002	13978	244,920	
English Literacy & Civics Education Grant	84.002A	14109	238,518	
Institutionalized Adults	84.002	13971	<u>84,892</u>	
Total Adult Basic Education Cluster (ABE)				929,698
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		5,271,575
Title II, Part A, Supporting Effective Instruction	84.367	14341		371,885
Title II, Part B, Mathematics and Science Partnerships	84.366	14512		7,903
English Language Acquisition Grant Cluster:				
Title III, Immigrant Education Program	84.365	15146	29,989	
Title III, Limited English Proficiency	84.365	14346	<u>189,808</u>	
Total English Language Acquisition Grant Cluster				219,797
Individuals with Disabilities Education Act (IDEA):				
Passed through San Bernardino County Superintendent of				
Schools, West End County Special Education Program				
Local Assistance Entitlement	84.027	13379		3,712,136
Carl Perkins Act - Secondary	84.048	14894		<u>544,244</u>
Total U.S. Department of Education				<u>11,057,238</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	195,352	
Medi-Cal Administrative Activities (MAA)	93.778	10060	<u>38,290</u>	
Total Medicaid Cluster				233,642
Total U.S. Department of Health & Human Services				<u>233,642</u>
Total Expenditures of Federal Awards				<u>\$ 18,730,497</u>

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

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2018

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total Non-Major Governmental Funds
ASSETS						
Cash	\$ 4,999,798	\$ 2,457,790	\$ 5,030,016	\$ 16,436,002	\$ 7,968,198	\$ 36,891,804
Accounts receivable	1,122,611	739,012	151,490	64,476	19,759	2,097,348
Due from other funds	586	-	-	-	-	586
Inventories	-	142,856	-	-	-	142,856
Total Assets	<u>\$ 6,122,995</u>	<u>\$ 3,339,658</u>	<u>\$ 5,181,506</u>	<u>\$ 16,500,478</u>	<u>\$ 7,987,957</u>	<u>\$ 39,132,594</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,183,205	\$ 16,917	\$ 61,500	\$ -	\$ 192,619	\$ 1,454,241
Due to other funds	270,552	1,485,433	113,117	-	-	1,869,102
Unearned revenue	-	43,521	-	-	-	43,521
Total Liabilities	<u>1,453,757</u>	<u>1,545,871</u>	<u>174,617</u>	<u>-</u>	<u>192,619</u>	<u>3,366,864</u>
Fund Balances						
Nonspendable	-	142,856	-	-	-	142,856
Restricted	2,804,070	1,650,931	5,006,889	16,500,478	7,795,338	33,757,706
Assigned	1,865,168	-	-	-	-	1,865,168
Total Fund Balances	<u>4,669,238</u>	<u>1,793,787</u>	<u>5,006,889</u>	<u>16,500,478</u>	<u>7,795,338</u>	<u>35,765,730</u>
Total Liabilities and Fund Balances	<u>\$ 6,122,995</u>	<u>\$ 3,339,658</u>	<u>\$ 5,181,506</u>	<u>\$ 16,500,478</u>	<u>\$ 7,987,957</u>	<u>\$ 39,132,594</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Total Non-Major Governmental Funds
REVENUES						
Federal sources	\$ 929,698	\$ 6,998,229	\$ -	\$ -	\$ -	\$ 7,927,927
Other state sources	7,324,994	497,321	-	-	-	7,822,315
Other local sources	340,953	1,772,645	3,806,396	203,455	3,708,221	9,831,670
Total Revenues	8,595,645	9,268,195	3,806,396	203,455	3,708,221	25,581,912
EXPENDITURES						
Current:						
Instruction	2,610,159	-	-	-	-	2,610,159
Instruction-Related Services:						
Supervision of instruction	809,423	-	-	-	-	809,423
Instructional library, media and technology	23,240	-	-	-	-	23,240
School site administration	871,086	-	-	-	-	871,086
Pupil Support Services:						
Food services	-	9,554,216	-	-	-	9,554,216
All other pupil services	288,611	-	-	-	-	288,611
Community services	1,673	-	-	-	-	1,673
General Administration Services:						
Other general administration	-	-	114,743	-	-	114,743
Plant services	509,497	-	77,780	-	185,059	772,336
Intergovernmental services	2,973,102	-	-	-	-	2,973,102
Transfers of indirect costs	149,799	347,355	-	-	-	497,154
Capital outlay	242,354	-	477,961	4,387	306,209	1,030,911
Total Expenditures	8,478,944	9,901,571	670,484	4,387	491,268	19,546,654
Excess (Deficiency) of Revenues Over (Under) Expenditures	116,701	(633,376)	3,135,912	199,068	3,216,953	6,035,258
Fund Balances, July 1, 2017	4,552,537	2,427,163	1,870,977	16,301,410	4,578,385	29,730,472
Fund Balances, June 30, 2018	\$ 4,669,238	\$ 1,793,787	\$ 5,006,889	\$ 16,500,478	\$ 7,795,338	\$ 35,765,730

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Combining Statement of Net Position – Fiduciary Funds
June 30, 2018

	Alta Loma High School	Chaffey High School	Colony High School	Etiwanda High School	Los Osos High School	Montclair High School	Ontario High School	Rancho Cucamonga High School	Valley View High School	Total
ASSETS										
Cash	\$ 284,062	\$ 638,287	\$ 214,537	\$ 239,835	\$ 320,502	\$ 299,657	\$ 246,041	\$ 485,909	\$ 15,218	\$ 2,744,048
Accounts receivable	-	787	-	-	-	3,809	-	-	-	4,596
Inventories	10,953	13,317	8,833	30,152	19,849	21,579	30,574	28,127	-	163,384
Other assets	-	-	-	56	-	3,000	63	-	-	3,119
Total Assets	<u>\$ 295,015</u>	<u>\$ 652,391</u>	<u>\$ 223,370</u>	<u>\$ 270,043</u>	<u>\$ 340,351</u>	<u>\$ 328,045</u>	<u>\$ 276,678</u>	<u>\$ 514,036</u>	<u>\$ 15,218</u>	<u>\$ 2,915,147</u>
LIABILITIES										
Accounts payable	\$ 1,466	\$ 364	\$ 10,847	\$ 490	\$ 27,094	\$ 1,281	\$ 62,411	\$ 25	\$ -	\$ 103,978
Reserves	150,266	321,954	109,367	151,872	157,145	156,924	133,925	312,714	-	1,494,167
Due to student groups	143,283	330,073	103,156	117,681	156,112	169,840	80,342	201,297	15,218	1,317,002
Total Liabilities	<u>\$ 295,015</u>	<u>\$ 652,391</u>	<u>\$ 223,370</u>	<u>\$ 270,043</u>	<u>\$ 340,351</u>	<u>\$ 328,045</u>	<u>\$ 276,678</u>	<u>\$ 514,036</u>	<u>\$ 15,218</u>	<u>\$ 2,915,147</u>

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Combining Statement of Changes in Amounts Due to Student Groups – Fiduciary Funds For the Fiscal Year Ended June 30, 2018

	Alta Loma High School	Chaffey High School	Colony High School	Etiwanda High School	Los Osos High School	Montclair High School	Ontario High School	Rancho Cucamonga High School	Valley View High School	Total
REVENUES										
Revenues from local sources:										
Student body cards - ASB	\$ 55,905	\$ 8,378	\$ 22,030	\$ 78,660	\$ 65,710	\$ 14,790	\$ 35,440	\$ 72,772	\$ -	\$ 353,685
Fundraising - ASB	-	-	2,588	-	14,379	16,343	10,232	-	-	43,542
Vending machines	1,222	2,115	1,153	3,761	2,163	3,043	1,685	4,138	-	19,280
Dances	112,309	20,855	-	-	32,513	101,978	26,302	-	-	293,957
Football	40,417	24,348	24,527	34,208	43,820	21,424	29,336	-	-	218,080
Other athletics	6,278	2,383	11,396	90,390	12,011	3,818	9,795	88,169	-	224,240
Student store	94,329	132,931	82,483	36,283	155,412	151,841	89,787	152,618	1,482	897,166
Yearbook	87,703	54,675	35,745	91,140	158,012	30,086	36,010	-	-	493,371
Other	7,137	9,277	2,691	6,847	13,875	17,517	6,175	6,247	4,046	73,812
Total revenues	405,300	254,962	182,613	341,289	497,895	360,840	244,762	323,944	5,528	2,617,133
EXPENDITURES										
Other expenses:										
Dances	98,521	8,795	7,496	278	11,214	63,908	23,330	-	-	213,542
Athletics	92,945	78,359	59,646	118,181	112,045	87,350	79,264	139,925	-	767,715
Student store	71,316	92,337	57,419	51,908	113,023	103,351	67,755	96,307	1,522	654,938
Yearbook	89,164	51,121	43,007	69,350	141,791	21,519	34,974	-	-	450,926
ASB expenses	11,211	11,505	23,602	43,751	15,794	21,824	37,912	25,498	-	191,097
Fundraisers-ASB	-	-	7,706	-	810	8,507	10,245	-	-	27,268
Newspaper	4,500	3,040	-	-	6,854	-	-	-	-	14,394
Renaissance	8,992	-	-	-	17,081	1,744	-	16,774	-	44,591
Drama	-	-	-	1,000	810	8,472	-	1,000	-	11,282
Other	42,268	27,469	3,042	62,960	25,816	38,899	7,234	16,579	6,333	230,600
Total expenditures	418,917	272,626	201,918	347,428	445,238	355,574	260,714	296,083	7,855	2,606,353
Excess (deficiency) of revenues over expenditures	(13,617)	(17,664)	(19,305)	(6,139)	52,657	5,266	(15,952)	27,861	(2,327)	10,780
Due to student groups - Beginning of Year, as originally stated	156,972	345,937	121,818	123,820	103,455	165,074	96,294	174,308	17,545	1,305,223
Adjustment for restatement	(72)	1,800	643	-	-	(500)	-	(872)	-	999
Due to student groups - Beginning of Year, as restated	156,900	347,737	122,461	123,820	103,455	164,574	96,294	173,436	17,545	1,306,222
Due to student groups - End of Year	\$ 143,283	\$ 330,073	\$ 103,156	\$ 117,681	\$ 156,112	\$ 169,840	\$ 80,342	\$ 201,297	\$ 15,218	\$ 1,317,002

See accompanying note to supplementary information.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2018

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

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 19,383,914
Differences between Federal Revenues and Expenditures:		
Army Junior Reserve Officer Training Corps (ROTC)	12.357	314,039
Medi-Cal Billing Option	93.778	(936,829)
Medi-Cal Administrative Activities	93.778	(30,627)
Total Schedule of Expenditures of Federal Awards		<u>\$ 18,730,497</u>

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major and fiduciary funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

(This page intentionally left blank)

Other Independent Auditors' Reports

(This page intentionally left blank)



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 Trustees
Chaffey Joint Union High School District
Ontario, 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 Chaffey Joint Union High School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Chaffey Joint Union High School District's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chaffey Joint Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chaffey Joint Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chaffey Joint Union High School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chaffey Joint Union High School 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 determination of financial statement amounts. 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.



Murrieta, California
November 28 2018



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Chaffey Joint Union High School District
Ontario, California

Report on State Compliance

We have audited Chaffey Joint Union High School District's compliance with the types of compliance requirements described in the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Chaffey Joint Union High School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Chaffey Joint Union High School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Chaffey Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Chaffey Joint Union High School District's compliance.

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

Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Not Applicable), Independent Study (Yes), Continuation Education (Yes), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

Description	Procedures Performed
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	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
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

Unmodified Opinion on Compliance with State Programs

In our opinion, Chaffey Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Nigro + Nigro, PC.

Murrieta, California
November 28, 2018



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

Board of Trustees
Chaffey Joint Union High School District
Ontario, California

Report on Compliance for Each Major Federal Program

We have audited Chaffey Joint Union High School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Chaffey Joint Union High School District's major federal programs for the year ended June 30, 2018. Chaffey Joint Union High School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Chaffey Joint Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chaffey Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Chaffey Joint Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Chaffey Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Chaffey Joint Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chaffey Joint Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Murrieta, California
November 28, 2018

Findings and Questioned Costs

(This page intentionally left blank)

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>
<u>84.002</u>	<u>Adult Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
---	-------------------

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
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 2017-18.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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 2017-18.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2017-18.

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2018

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2017-001: Unduplicated Pupil Count</i></p>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our preliminary testing of the FRPM applications and English Learner (EL) eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that two EL designated students who were included in the CALPADS report that did not have evidence to support their designation. We then performed additional testing where we noted that there were an additional three students who were included in the CALPADS report that did not have a CELDT score, or other evidence to support their designation.</p>	<p>40000</p>	<p>We recommend that the District work with the Department responsible for English Learners to ensure all students have been assessed on an annual basis and the current designations are accurately reflected in the Student Information System and CALPADS.</p>	<p>Fully Implemented.</p>

(This page intentionally left blank)



To the Board of Trustees
Chaffey Joint Union High School District
Ontario, California

In planning and performing our audit of the basic financial statements of Chaffey Joint Union High School District for the year ending June 30, 2018, 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 November 28, 2018, on the financial statements of Chaffey Joint Union High School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our test of cash disbursements we noted disbursements that were not approved by the District representative the ASB advisor, and/or the student representative, until after the expenditure had already been incurred. In some cases, the disbursements were not approved by one or more of the aforementioned parties at all. Furthermore, we noted disbursements that lacked supporting documentation. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

Recommendation: We recommend that sites follow current district procedure to pre-approve disbursements using a purchase order to ensure compliance. Additionally, we recommend dating all approvals to eliminate doubt as to when the approval occurred. Without adequate supporting documentation, it is not possible to establish a clear audit trail to determine if the purpose of the disbursement was to promote the general welfare, morale and educational experiences of the students.

Observation: During our testing, we noted some sites use ASB accounts to collect money and pay for AP and PSAT tests. These accounts appear to serve as clearance funds for the District and not as clubs operated by students. ASB accounts should not be used as pass-through or clearing accounts for District funds and accepting District funds into the ASB account constitutes commingling of funds.

Recommendation: We recommend that the sites forward all District funds to the District for receipt or open a separate clearing account for funds to be transferred to the District on a monthly basis.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: Through inquiry and observation we noted a number of clubs that were created to raise money and help specific individual students. We also noted specific questionable disbursements that were for non-student groups and paid directly to students. Donations to students or families in need usually are not allowable because they are considered a gift of public funds, no matter how worthy the cause. ASB funds are legally considered public funds because they are raised through the District's tax identification number and under its nontaxable status. Donations directly to a student or family are not tax deductible unless a legal foundation has been established for that student or family.

Recommendation: We recommend the District utilize external organizations such as a legal charity or a parent group with its own separate tax identification number and sufficient internal controls to operate such fund raisers.

Observation: It was determined through inquiry that ASB does not consult with the Food Service Program which is funded by federal and state sources for food sales on campus during school hours. Student groups must follow specific rules including those regarding noncompetitive sales, nutritional requirements and other local, state and federal regulations.

Recommendation: We recommend that the District review its policies and advise that student groups work with the Food Services Department to ensure the foods being sold and the frequency of sales are in line with applicable regulations.

Observation: During our testing of cash receipts at several sites, we noted several deposits lacked a clear audit trail from the point of collection or were not deposited timely. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. For example, tally logs or prenumbered tickets should be used to account for fundraising activities and then reconciled to the amount of cash collected for that event. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. Additionally, we noted that student stores were reconciling receipts at the end of the month, rather than when deposits are made.

Recommendation: We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. We further recommend that the student stores utilize registers and reconcile daily cash collected and deposited with sales receipts to provide a clear audit trail. Cash collected should be deposited on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because of the risk of theft.

Observation: We noted many bank reconciliations at one site that were not prepared on a timely basis.

Recommendation: We recommend that reconciliations be prepared no later than two weeks after the close of the month or receipt of the statement. We also recommend bank statements are reviewed by someone other than the preparer.

DISTRICT OFFICE

Observation: In our testing of cash receipts, we noted some that were not deposited in a timely manner. These amounts included collections from sites that were made a month or more after being collected.

Recommendation: The District should ensure that employees are making deposits in a timely manner and to the correct accounts, as well as, reconciling all accounts timely, ensuring segregation of duties, and following district controls in the cash count process.

Observation: During our review of bank statements, we noted that there are checks written from the food service bank account that have been outstanding for more than 6 months.

Recommendation: We recommend that all checks older than 6 months be investigated and canceled, if appropriate.

We will review the status of the current year comments during our next audit engagement.



Murrieta, California
November 28, 2018

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Chaffey Joint Union High School District (the “District”) in connection with the issuance of \$ _____ of the District’s Election of 2012 General Obligation Bonds, Series E and \$ _____ of the District’s 2019 General Obligation Refunding Bonds (together, the “Bonds”). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District adopted on October 15, 2019 (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 Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

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 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Willdan Financial Services, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Rulemaking Board consistent with the Rule.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“Participating Underwriter” shall mean RBC Capital Markets, LLC, or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“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.

“State” shall mean the State of California.

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 (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the 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 the same manner as for a Listed Event under Section 5(d).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (a) state funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;

- (c) outstanding District indebtedness;
- (d) assessed valuation of taxable property within the District for the current fiscal year;
- (e) property tax collection delinquencies for the District, for the most recently completed fiscal year, if the District is no longer a participant in the San Bernardino County Teeter Plan;
- (f) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), 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.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. 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.
7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.
8. incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondholders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all

of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. 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 and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), 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 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. 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 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross 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 Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2019

CHAFFEY JOINT UNION HIGH SCHOOL
DISTRICT

By: _____
Rick Wiersma
Assistant Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: Election of 2012 General Obligation Bonds, Series E
2019 General Obligation Refunding Bonds

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

CHAFFEY JOINT UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF ONTARIO AND RANCHO CUCAMONGA AND SAN BERNARDINO COUNTY

The following information regarding the City of Ontario, the City of Rancho Cucamonga (collectively, the “Cities”), and San Bernardino County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Cities or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

The City of Ontario. The City of Ontario was founded in 1881, incorporated in 1891 as a general law city, and is located in southwestern San Bernardino County, 35 miles east of downtown Los Angeles. Located in the western part of the Inland Empire region, it lies just east of the Los Angeles county line and is part of the Greater Los Angeles Area. The city is home to the Ontario International Airport which has become the second busiest outbound freight hub in the United States. Ontario handles the mass of freight traffic between the ports of Los Angeles and Long Beach and the rest of the country. It is also the home of Ontario Mills, the largest shopping center in the County and a tourist destination, with 28 million annual visitors. The City of Ontario operates under the Council-Manager form of government. The mayor and four council members are elected at large and serve four-year staggered terms.

The City of Rancho Cucamonga. Encompassing approximately 40.2 square miles, the city is located in the western section of the County, between the cities of Upland to the west, Ontario to the south and Fontana to the east. Incorporated in 1977 as a general law city, it operates under the Council-Manager form of government. A mayor and four city council members are elected at large and serve four-year staggered terms. There is no limit on the number of terms an individual can serve as mayor or as a city council member. With a dense residential population, in addition to manufacturing and distribution, the city is home to a large commercial office sector.

San Bernardino County. San Bernardino County is located in the southern portion of the State of California. The County is bordered by the State of Nevada and the State of Arizona to the east, Riverside County to the south, Inyo County to the north, and Kern, Los Angeles and Orange Counties to the west. The County has an area of 20,160 square miles, with more than three-quarters of the area vacant and covered by desert, forest and mountain ranges. In terms of land area, it is the largest county in the contiguous United States. The County is governed by a five-member Board of Supervisors, each elected from their districts. The County was established on May 23, 1853. It is a charter law county and the County seat is the city of San Bernardino.

Population

The following table shows historical population figures for the Cities, the County and the State of California for the past 10 years.

**POPULATION ESTIMATES
2010 through 2019
City of Ontario, City of Rancho Cucamonga, San Bernardino County, and State of California**

<u>Year</u> ⁽¹⁾	<u>City of Ontario</u>	<u>City of Rancho Cucamonga</u>	<u>San Bernardino County</u>	<u>State of California</u>
2010 ⁽²⁾	163,924	165,269	2,035,210	37,253,956
2011	165,740	169,104	2,058,416	37,594,781
2012	176,072	170,350	2,076,145	37,971,427
2013	168,037	170,560	2,090,945	38,321,459
2014	168,382	172,757	2,104,088	38,622,301
2015	169,858	175,145	2,123,562	38,952,462
2016	170,268	175,717	2,136,242	39,214,803
2017	172,168	177,662	2,156,115	39,504,609
2018	174,244	178,619	2,171,517	39,740,508
2019	178,268	179,412	2,192,203	39,927,315

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: California Department of Finance.

Income

The following table shows per capita personal income for the County, the State of California and United States for the past 10 years of data that is currently available.

**PER CAPITA PERSONAL INCOME
2008 through 2017
San Bernardino County, State of California and the United States**

<u>Year</u>	<u>San Bernardino County</u>	<u>State of California</u>	<u>United States</u>
2008	\$30,150	\$43,895	\$40,904
2009	29,122	42,050	39,284
2010	29,557	43,609	40,545
2011	31,051	46,145	42,727
2012	31,703	48,751	44,582
2013	32,404	49,173	44,826
2014	34,218	52,237	47,025
2015	36,245	55,679	48,940
2016	37,514	57,497	49,831
2017	38,816	59,796	51,640

Note: All dollar estimates are in current dollars (not adjusted for inflation).

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

Principal Employers

The following tables list the principal employers located in the Cities and the County.

PRINCIPAL EMPLOYERS 2018 City of Ontario

<u>Employer Name</u>	<u>Number of Employees</u>
Ontario International Airport	5,000 to 9,999
Shelby Holdings LLC	5,000 to 9,999
United Parcel Service (UPS)	5,000 to 9,999
Ontario Montclair School District	1,000 to 4,999
Niagara Bottling LLC	1,000 to 4,999
Nestle Toll House Café by CHIP	1,000 to 4,999
QVC Ontario LLC	500-999
The Merchant of Tennis	500-999
ULINE	500-999
Zodiac Cabin & Structures Support LLC	500-999

Source: City of Ontario 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2018.

PRINCIPAL EMPLOYERS 2018 City of Rancho Cucamonga

<u>Employer Name</u>	<u>Number of Employees</u>
Inland Empire Health Plan (IEHP)	2,315
Etiwanda School District	2,293
Chaffey Community College	2,111
Alta Loma School District	1,095
City of Rancho Cucamonga	865
Amphastar Pharmaceutical	643
Mercury Insurance Company	632
Macy's	615
Central School District	605
Big Lots Distribution Center	600

Source: City of Rancho Cucamonga 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2018.

**PRINCIPAL EMPLOYERS
2018
San Bernardino County**

<u>Employer Name</u>	<u>Number of Employees</u>
County of San Bernardino	>10,000
Loma Linda University Medical Center	>10,000
Amazon	>10,000
State of California	>10,000
Kaiser Permanente	5,000 to 9,999
Wal-Mart	5,000 to 9,999
San Bernardino City Unified School District	5,000 to 9,999
Stater Brothers	5,000 to 9,999
U.S. Government	5,000 to 9,999
United Parcel Service (UPS)	5,000 to 9,999

Source: County of San Bernardino 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2018.

Industry

The County is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the last 5 years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

**LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
2014 through 2018
San Bernardino County (Riverside-San Bernardino-Ontario MSA)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	14,400	14,800	14,600	14,500	14,500
Mining and Logging	1,300	1,300	900	1,000	1,200
Construction	77,600	85,700	92,000	97,400	104,800
Manufacturing	91,400	96,200	98,700	99,200	101,300
Wholesale Trade	58,100	60,500	61,600	62,600	64,900
Retail Trade	169,600	174,400	178,300	180,900	180,800
Transportation, Warehousing & Utilities	87,100	98,100	108,000	122,100	132,600
Information	11,300	11,400	11,500	11,300	11,200
Financial Activities	42,900	44,000	44,600	44,200	43,700
Professional and Business Services	138,700	147,400	144,900	146,900	150,600
Education and Health Services	195,900	206,300	215,700	226,700	240,000
Leisure and Hospitality	144,800	151,700	160,200	166,300	170,000
Other Services	43,000	44,000	44,600	45,400	45,600
Government	<u>228,800</u>	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,500</u>
Total All Industries	1,304,800	1,369,100	1,417,900	1,469,400	1,518,700

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein. Items may not add to total due to independent rounding.

Source: State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force – by Annual Average. March 2018 Benchmark.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2014 through 2018 for the Cities, the County, the State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
2013 through 2017⁽¹⁾
City of Ontario, City of Rancho Cucamonga, San Bernardino County, State of California and
United States

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment⁽²⁾</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)⁽³⁾</u>
2014	City of Ontario	80,100	73,700	6,400	8.0
	City of Rancho Cucamonga	90,100	84,700	5,400	6.0
	San Bernardino County	905,400	833,000	72,500	8.0
	State of California	18,714,700	17,310,900	1,403,800	7.5
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	City of Ontario	81,900	76,600	5,300	6.5
	City of Rancho Cucamonga	91,800	87,400	4,400	4.8
	San Bernardino County	920,000	860,800	59,200	6.4
	State of California	18,851,100	17,681,800	1,169,200	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	City of Ontario	82,800	78,500	4,300	5.2
	City of Rancho Cucamonga	93,400	89,200	4,200	4.5
	San Bernardino County	930,900	877,200	53,700	5.8
	State of California	19,044,500	18,002,800	1,041,700	5.5
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	City of Ontario	84,600	80,900	3,700	4.4
	City of Rancho Cucamonga	94,600	91,000	3,600	3.8
	San Bernardino County	944,300	897,800	46,500	4.9
	State of California	19,205,300	18,285,500	919,800	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	City of Ontario	86,200	83,100	3,100	3.6
	City of Rancho Cucamonga	96,500	93,500	3,000	3.1
	San Bernardino County	961,000	922,300	38,800	4.0
	State of California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9

⁽¹⁾ Annual averages, unless otherwise specified.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2014 through 2018 are shown in the following tables.

**ANNUAL TAXABLE SALES
2014 through 2018
City of Ontario
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable</u>		<u>Total Taxable Transactions</u>
		<u>Transactions</u>	<u>Total Permits</u>	
2014	4,422	\$4,166,601	6,647	\$6,595,978
2015	4,867	4,279,949	7,580	7,174,748
2016	4,875	4,634,312	7,658	8,124,276
2017	4,974	4,775,352	7,888	7,670,947
2018 ⁽¹⁾	5,194	4,850,172	8,435	7,939,125

⁽¹⁾ Preliminary, subject to change.

Source: *Taxable Sales in California, California State Board of Equalization for 2014. Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.*

**ANNUAL TAXABLE SALES
2014 through 2018
City of Rancho Cucamonga
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable</u>		<u>Total Taxable Transactions</u>
		<u>Transactions</u>	<u>Total Permits</u>	
2014	2,566	\$1,826,325	3,995	\$2,391,505
2015	2,740	1,894,397	4,622	2,471,364
2016	2,727	1,934,574	4,665	2,526,567
2017	2,888	1,996,971	4,930	2,658,820
2018 ⁽¹⁾	3,009	2,075,474	5,266	2,800,537

⁽¹⁾ Preliminary, subject to change.

Source: *Taxable Sales in California, California State Board of Equalization for 2014. Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.*

**ANNUAL TAXABLE SALES
2014 through 2018
San Bernardino County
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable</u>		<u>Total Taxable Transactions</u>
		<u>Transactions</u>	<u>Total Permits</u>	
2014	34,455	\$22,240,376	48,349	\$33,055,967
2015	37,696	23,384,548	56,128	35,580,276
2016	38,370	24,477,003	57,629	37,216,551
2017	39,067	25,603,171	58,956	38,399,373
2018 ⁽¹⁾	39,837	26,905,784	61,838	40,554,024

⁽¹⁾ Preliminary, subject to change.

Source: *Taxable Sales in California, California State Board of Equalization for 2014.*

Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the Cities and the County are shown in the following tables.

**BUILDING PERMITS AND VALUATIONS
2014 through 2018
City of Ontario
(Dollars in Thousands)**

<u>Valuation (\$000's)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$52,952	\$83,313	\$119,456	\$239,932	\$517,399
Non-residential	<u>88,020</u>	<u>201,268</u>	<u>197,787</u>	<u>122,243</u>	<u>185,202</u>
Total	\$140,945	\$284,581	\$317,243	\$362,175	\$702,601
<u>Residential Units:</u>					
Single family	131	291	446	648	1,056
Multiple family	<u>306</u>	<u>241</u>	<u>206</u>	<u>1,010</u>	<u>273</u>
Total	437	532	652	1,658	1,329

Note: Totals may not add to sum due to rounding.

Source: *Construction Industry Research Board.*

BUILDING PERMITS AND VALUATIONS
2014 through 2018
City of Rancho Cucamonga
(Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$65,676	\$233,807	\$48,952	\$72,228	\$49,790
Non-residential	<u>86,674</u>	<u>54,782</u>	<u>47,548</u>	<u>112,388</u>	<u>112,478</u>
Total	\$152,350	\$288,589	\$96,500	\$184,616	\$162,268
<u>Residential Units:</u>					
Single family	197	410	152	102	82
Multiple family	17	0	0	242	<u>116</u>
Total	214	410	152	344	198

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
San Bernardino County
(Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$708,471	\$1,056,572	\$888,142	\$1,366,023	\$1,455,281
Non-residential	<u>958,267</u>	<u>1,146,722</u>	<u>994,282</u>	<u>1,285,597</u>	<u>1,080,130</u>
Total	\$1,666,738	\$2,203,294	\$1,882,424	\$2,651,620	\$2,535,411
<u>Residential Units:</u>					
Single family	1,937	2,753	2,896	4,253	3,311
Multiple family	1,266	1,159	976	2,578	<u>1,775</u>
Total	3,203	3,912	3,872	6,831	5,086

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

APPENDIX E

SAN BERNARDINO COUNTY TREASURY POOL

The following information concerning the San Bernardino County (the “County”) Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer-Tax Collector (the “Treasurer”), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. Neither the District, the Financial Advisor nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury 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 Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: <http://www.sbcounty.gov/atc/Treasurer/>. However, the information presented on such website is not incorporated into this Official Statement by any reference.

[THIS PAGE INTENTIONALLY LEFT BLANK]



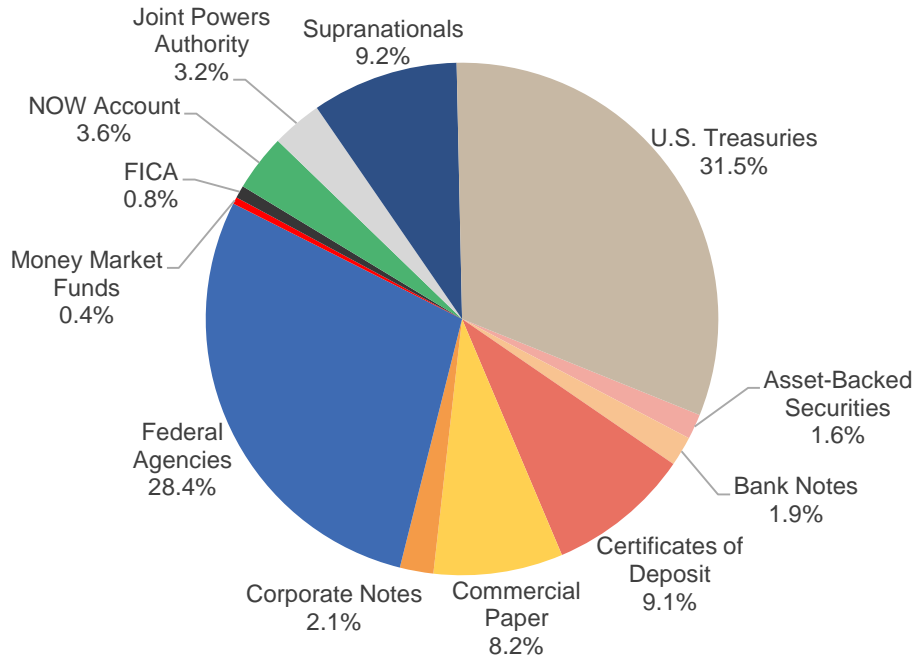
San Bernardino County Pool Summary (as of 8/31/2019)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Modified Duration
Asset-Backed Securities	99,100,000.00	99,091,498.30	99,923,789.80	1.6%	2.49%	1,110	1.48
Bank Notes	117,000,000.00	117,048,368.95	117,943,932.00	1.9%	2.64%	548	1.45
Certificates of Deposit	570,000,000.00	570,000,000.00	570,102,913.75	9.1%	2.29%	84	0.22
Collateralized CD	0.00	0.00	0.00	-	-	-	-
Commercial Paper	515,000,000.00	513,758,197.00	513,787,480.00	8.2%	2.22%	40	0.10
Corporate Notes	132,050,000.00	131,447,846.93	133,210,132.75	2.1%	2.67%	610	1.63
Federal Agencies	1,775,698,000.00	1,773,166,601.22	1,796,063,870.99	28.4%	2.26%	596	1.57
Money Market Funds	27,000,000.00	27,000,000.00	27,000,000.00	0.4%	1.99%	1	-
Municipal Debt	0.00	0.00	0.00	-	-	-	-
Repurchase Agreements	0.00	0.00	0.00	-	-	-	-
Bank Deposit Account	50,000,000.00	50,000,000.00	50,000,000.00	0.8%	2.37%	1	-
NOW Account	225,000,000.00	225,000,000.00	225,000,000.00	3.6%	2.35%	1	-
Joint Powers Authority	200,000,000.00	200,000,000.00	200,000,000.00	3.2%	2.25%	1	-
Supranationals	580,000,000.00	577,445,523.70	582,354,340.00	9.2%	2.13%	416	1.10
U.S. Treasuries	1,975,000,000.00	1,956,080,771.50	1,979,883,175.00	31.5%	2.15%	674	1.80
Total Securities	6,265,848,000.00	6,240,038,807.60	6,295,269,634.29	100.0%	2.24%	472	1.25
Cash Balance	204,223,484.21	204,223,484.21	204,223,484.21				
Total Investments	6,470,071,484.21	6,444,262,291.81	6,499,493,118.50				
Accrued Interest		23,465,596.05	23,465,596.05				
Total Portfolio	6,470,071,484.21	6,467,727,887.86	6,522,958,714.55				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, and Fidelity money market funds.
2. Statistics for the total portfolio include money market funds.
3. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate.



Sector Distribution



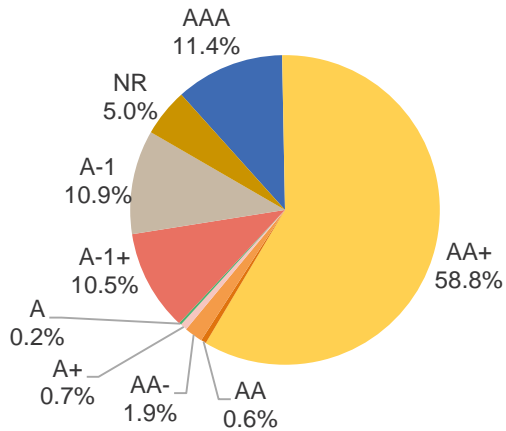
Sector	Market Value
Asset-Backed Securities	\$99,923,789
Bank Notes	\$117,943,932
Certificates of Deposit	\$570,102,914
Collateralized CD	\$0
Commercial Paper	\$513,787,480
Corporate Notes	\$133,210,133
Federal Agencies	\$1,796,063,871
Money Market Funds	\$27,000,000
Municipal Debt	\$0
Repurchase Agreements	\$0
FICA	\$50,000,000
NOW Account	\$225,000,000
Joint Powers Authority	\$200,000,000
Supranationals	\$582,354,340
U.S. Treasuries	\$1,979,883,175

Percentages may not sum to 100% due to rounding.



Credit Quality Distribution

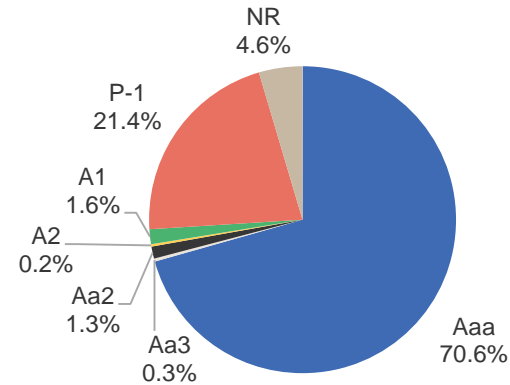
S&P RATINGS



Credit Rating	Market Value
A-1+ (Short-Term)	\$662,226,597
A-1 (Short-Term)	\$683,979,828
AAA (Long-Term)	\$715,903,625
AA+ (Long-Term)	\$3,704,469,877
AA (Long-Term)	\$34,488,377
AA- (Long-Term)	\$120,289,642
A+ (Long-Term)	\$45,388,029
A (Long-Term)	\$15,173,815
Not Rated	\$313,349,844

Percentages may not sum to 100% due to rounding.

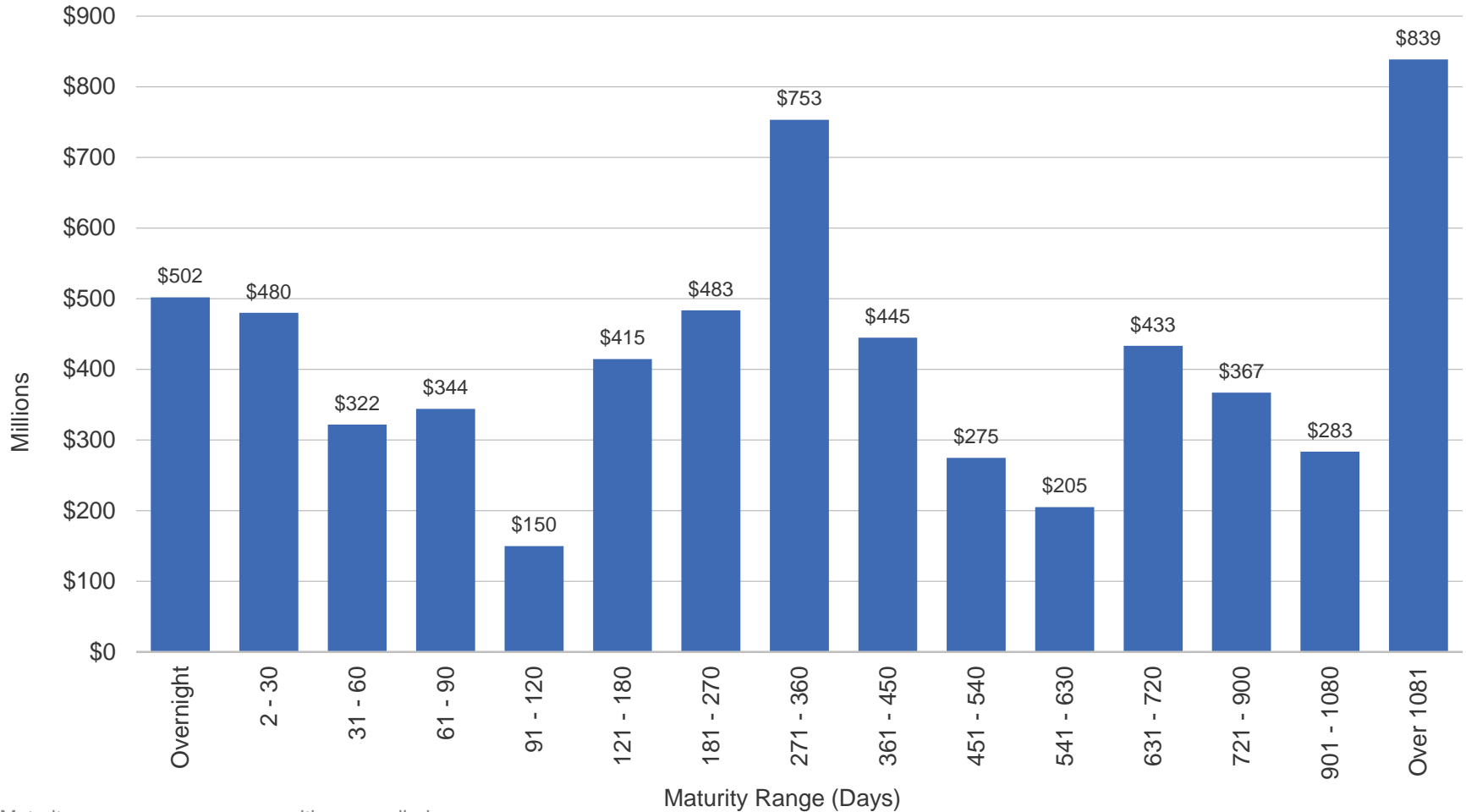
MOODY'S RATINGS



Credit Rating	Market Value
P-1 (Short-Term)	\$1,346,206,425
Aaa (Long-Term)	\$4,444,505,713
Aa3 (Long-Term)	\$20,309,630
Aa2 (Long-Term)	\$79,876,406
Aa1 (Long-Term)	\$0
A3 (Long-Term)	\$0
A2 (Long-Term)	\$15,173,815
A1 (Long-Term)	\$99,980,012
Not Rated	\$289,217,633



Maturity Distribution



Maturity range assumes no securities are called.



San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity At Cost
August 2018	1.89%
September 2018	1.93%
October 2018	2.01%
November 2018	2.03%
December 2018	2.11%
January 2019	2.15%
February 2019	2.18%
March 2019	2.21%
April 2019	2.25%
May 2019	2.25%
June 2019	2.27%
July 2019	2.25%
August 2019	2.24%

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.