INVITATION TO TENDER FOR PURCHASE
made by
STOCKTON UNIFIED SCHOOL DISTRICT

To the Owners of all or any portion of the maturities listed on pages (i) through and including (ii) herein of

Stockton Unified School District

General Obligation Bonds, Election of 2012 Series A GO Reauthorization Bonds®

General Obligation Refunding Bonds, Series 2014A (Tax Exempt)

2016 General Obligation Refunding Bonds

THIS INVITATATION TO TENDER FOR PURCHASE WILL EXPIRE AT 5:00 PM NEW YORK CITY TIME ON DECEMBER 1, 2023 UNLESS EARLIER TERMINATED OR EXTENDED AS DESCRIBED HEREIN, TENDERED BONDS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE

The Stockton Unified School District (the "District") invites the beneficial owners (the "Owners") of the bonds listed and maturing on the dates set forth in the tables on pages (i) through and including (ii) of this Invitation (the "Target Bonds") to sell their Target Bonds to the District for payment in cash at the applicable tender offer purchase prices for the Target Bonds set forth in this Invitation and the Pricing Notice in the form attached hereto as Appendix A, which is expected to be dated on or about November 16, 2023 (as it may be amended or supplemented) (the "Pricing Notice"), plus, in each case, accrued interest on the Target Bonds tendered for purchase up to but not including the Settlement Date ("Accrued Interest"), all on the terms and conditions as set forth in more detail below (the "Invitation"). Indicative, i.e. preliminary, purchase prices are set forth in this Invitation on page (i), and the final purchase prices will be set forth in the Pricing Notice.

The purchase of any Target Bonds pursuant to the Invitation is contingent on the issuance of the District's 2023 General Obligation Refunding Bonds, Series B (the "Refunding Bonds") and is also subject to the terms of this Invitation and certain other conditions as described herein. The Refunding Bonds will be issued in the manner, on the terms and with the security therefor to be described in the Preliminary Official Statement dated November 16, 2023, attached hereto as Appendix B (as may be amended and supplemented) (the "Refunding Bonds POS"). If the Refunding Bonds are issued, the source of funds to purchase the Target Bonds validly tendered for purchase and accepted for purchase pursuant to this Invitation as to the principal amount thereof and any accrued interest will be from proceeds of the Refunding Bonds.

This Invitation is part of a plan by the District to refund a portion of the District's outstanding indebtedness, as described in the Refunding Bonds POS. As outlined on pages (i) through and including (ii) of this Invitation, the District intends to purchase up to $130,000,000 in principal amount of the Target Bonds, pursuant to this Invitation, although if certain conditions are not met the District may purchase, as applicable, a lesser principal amount or none of the Target Bonds. Should the District accept a portion of tendered bonds, such tendered bonds will be accepted on a pro rata basis as described under the caption "Acceptance of Target Bonds for Purchase" of the Invitation. Owners of the Target Bonds who do not accept this Invitation and Owners of the Target Bonds whose tenders are rejected by the District will continue to hold their interest in such Target Bonds. It is anticipated that, subject to market conditions, all of the Target Bonds not purchased pursuant to this Invitation will remain outstanding, as described under the caption "PLAN OF FINANCE – The Tender Offer" in the Refunding Bonds POS.

To make an informed decision as to whether, and how, to tender the Target Bonds for purchase, as applicable, pursuant to the Invitation, Owners must read this Invitation carefully, including the Refunding Bonds POS, and the Pricing Notice and consult their broker-dealer, financial, legal, accounting, tax and other advisors in making these decisions. This Invitation, the Refunding Bonds POS and the Pricing Notice, collectively, shall constitute an invitation to Owners to tender their Target Bonds for purchase, as applicable.

The terms of the Pricing Notice for the Target Bonds will be available as described in the table below.

Key Date and Times
All of these dates and times are subject to change. All times are New York City time.
Notices of changes will be sent in the manner provided for in this Tender Invitation.

Launch Date and Refunding Bonds POS	November 16, 2023
Pricing Notice (for the Target Bonds)	On or about November 24, 2023
Expiration Date	5:00 p.m. (NYC time) on December 1, 2023
Notice of Results	December 4, 2023
Acceptance Date	December 7, 2023
Settlement Date	December 14, 2023

The Dealer Manager for the Invitation is:

LOOP CAPITAL MARKETS LLC

The Information Agent Tender Agent for the Invitation is:

GLOBIC ADVISORS

Any owner wishing to tender the Target Bonds for purchase pursuant to this Invitation should follow the procedures more fully described herein. Owners and their brokers and account executives with questions about this Invitation should contact the Dealer Manager or the Information Agent and Tender Agent.

The date of this Invitation is November 16, 2023.

INVITATION

TARGET BONDS
SUBJECT TO INVITATION TO TENDER FOR PURCHASE

Stockton Unified School District
(San Joaquin County, California)
General Obligation Bonds, Election of 2012, Series A, GO Reauthorization Bonds®

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding	Interest Rate	Par Call Date	Indicative Purchase Price[2]
TD1	2024	$ 800,000	5.000%	N/A	102.390%
TE9	2025	960,000	5.000	08/01/2024	102.370
TF6	2026	1,135,000	5.000	08/01/2024	102.374
TG4	2027	1,325,000	5.000	08/01/2024	102.385
TH2	2028	1,530,000	5.000	08/01/2024	102.382
TJ8	2029	1,745,000	4.000	08/01/2024	101.752
TK5	2030	1,960,000	4.000	08/01/2024	101.736
TL3	2031	2,190,000	4.125	08/01/2024	101.811
TM1	2032	2,435,000	4.125	08/01/2024	101.773
TN9	2033	2,700,000	4.250	08/01/2024	101.857
TP4	2034	2,980,000	4.250	08/01/2024	101.759
TQ2	2038	15,275,000	5.000	08/01/2024	101.758
TR0	2042	5,000,000	4.500	08/01/2024	101.248
TS8	2042	16,950,000	5.000	08/01/2024	101.783

Stockton Unified School District
(San Joaquin County, California)
General Obligation Refunding Bonds, Series 2014A (Tax Exempt)

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding	Interest Rate	Par Call Date	Indicative Purchase Price[2]
TX7	2024	$ 885,000	5.000%	N/A	102.390%
TY5	2025	1,000,000	5.000	08/01/24	102.370
TZ2	2026	1,125,000	5.000	08/01/24	102.374
UA5	2027	1,255,000	5.000	08/01/24	102.385
UB3	2028	1,400,000	5.000	08/01/24	102.382
UC1	2029	1,545,000	5.000	08/01/24	102.387
UD9	2030	1,705,000	5.000	08/01/24	102.322
UE7	2031	1,875,000	5.000	08/01/24	102.295
UF4	2032	2,060,000	5.000	08/01/24	102.313
UG2	2033	2,250,000	5.000	08/01/24	102.254
UH0	2034	2,455,000	5.000	08/01/24	102.226
UK3	2036	5,550,000	3.750	08/01/24	97.382
UN7	2039	9,945,000	4.000	08/01/24	99.655

[1] Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, 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 CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District, the Information and Tender Agent or the Dealer Manager take any responsibility for the accuracy of such CUSIP number.
[2] The Indictive Purchas Prices shown herein are preliminary and subject to change. Actual Purchase Prices will appear in the Pricing Notice.

Stockton Unified School District
(San Joaquin County, California)
2016 General Obligation Refunding Bonds

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding	Interest Rate	Par Call Date	Indicative Purchase Price[2]
WE5	2024	$ 7,650,000	5.000%	N/A	102.337%
WF2	2025	8,235,000	5.000	N/A	104.181
WG0	2026	8,615,000	5.000	02/01/2026	105.370
WH8	2027	9,345,000	5.000	02/01/2026	105.538
WJ4	2028	9,800,000	5.000	02/01/2026	105.551
WK1	2029	10,485,000	5.000	02/01/2026	105.489
WL9	2030	11,165,000	5.000	02/01/2026	105.404
WM7	2031	19,120,000	5.000	02/01/2026	105.404
WN5	2032	3,890,000	3.000	02/01/2026	95.611

[1] Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, 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 CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District, the Information and Tender Agent or the Dealer Manager take any responsibility for the accuracy of such CUSIP number.
[2] The Indictive Purchas Prices shown herein are preliminary and subject to change. Actual Purchase Prices will appear in the Pricing Notice.

IMPORTANT INFORMATION

This Invitation and other information with respect to the Invitation are available from the Dealer Manager and the Information Agent and Tender Agent at www.globic.com/stocktonusd. Owners wishing to tender their Target Bonds for purchase, as applicable, pursuant to the Invitation should follow the procedures more fully described herein. The District reserves the right to cancel or modify the Invitation at any time on or prior to the Acceptance Date and reserves the right to make a future tender invitation for bonds at prices different than the purchase prices described herein in its sole discretion. The District will have no obligation to purchase, as applicable, the Target Bonds tendered pursuant to the Invitation. The District further reserves the right to waive any irregularities or defects in any tendered bonds received.

The District also reserves the right in the future to refund, repurchase, tender, or exchange on a later date any remaining portion of outstanding Target Bonds through the issuance of bonds or any other means available to the District. The Target Bonds maturing after the respective first optional redemption date are subject to redemption in whole or in part, at the option of the District on any date on or after its respective first optional redemption date indicated in the tables above, at a redemption price equal to 100% of the principal amount of the Target Bonds, or portions thereof, to be redeemed plus accrued but unpaid interest to the date fixed for redemption. Further details concerning the District's debt refunding plan will be contained in the Refunding Bonds POS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS INVITATION OR PASSED UPON THE FAIRNESS OR MERITS OF THIS INVITATION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS INVITATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Invitation is not being made to, and the Target Bonds tendered for purchase in response to this Invitation will not be accepted from or on behalf of, Owners in any jurisdiction in which the Invitation, tendering the Target Bonds or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require the Invitation to be made through a licensed or registered broker or dealer, the Invitation is being made on behalf of the District by the Dealer Manager.

The District is not recommending to any Owner whether to tender its Target Bonds for purchase, as applicable, in connection with the Invitation. Each Owner must make these decisions and should read this Invitation and the Refunding Bonds POS in their entirety and consult with its broker-dealer, financial, legal, accounting, tax and other advisors in making these decisions.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Invitation and, if given or made, such information or representation may not be relied upon as having been authorized by the District.

The Dealer Manager makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein. The Dealer Manager has not independently verified any of the information contained herein, and assumes no responsibility for the accuracy or completeness of any such information.

The delivery of this Invitation shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the District since the date hereof.

This Invitation contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Invitation and other materials referred to or incorporated herein, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward-looking statements. 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.

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INVITATION TO TENDER FOR PURCHASE
made by
STOCKTON UNIFIED SCHOOL DISTRICT

1. General

The Stockton Unified School District (the "**District**") invites the beneficial owners (the "**Owners**") of the bonds listed and maturing on the dates set forth in the tables on pages (i) through and including (ii) of this Invitation (the "**Target Bonds**") to sell their Target Bonds to the District for payment in cash at the applicable tender offer purchase prices set forth in the Pricing Notice in the form attached hereto as Appendix A (the "**Pricing Notice"**), which is expected to be dated on or about November 24, 2023 (as it may be amended or supplemented) as described herein, plus, in each case, accrued interest on the Target Bonds tendered for purchase up to but not including the Settlement Date ("**Accrued Interest**"), all on the terms and conditions as set forth in more detail below (the "**Invitation**"). Purchase prices will be set forth in the Pricing Notice.

Indicative Purchase Prices for the Target Bonds shown herein are preliminary and subject to change. The purchase of any Target Bonds pursuant to the Invitation is contingent on the issuance of the District's 2023 General Obligation Refunding Bonds, Series B (the "**Refunding Bonds**") and is also subject to the terms of this Invitation (this **"Invitation"**) and certain other conditions as described herein. The Refunding Bonds will be issued in the manner, on the terms and with the security therefor described in the Preliminary Official Statement dated November 16, 2023, attached hereto as Appendix B (as may be amended and supplemented) (the **"Refunding Bonds POS"**).

If the Refunding Bonds are issued, the source of funds to purchase the Target Bonds validly tendered and accepted for purchase pursuant to this Invitation as to the principal amount thereof and accrued interest thereon will be from proceeds of the Refunding Bonds.

2. Authorizing Resolutions

The Target Bonds consisting of the Stockton Unified School District General Obligation Refunding Bonds, Series 2014A (Tax Exempt) were issued by the District pursuant to a resolution, adopted by the Board of Education of the District on July 8, 2014 (the "**2014 Resolution**").

The Target Bonds consisting of the Stockton Unified School District 2016 General Obligation Refunding Bonds were issued by the District pursuant to a resolution, adopted by the Board of Education of the District on November 13, 2015 (the "**2016 Resolution**").

The Target Bonds consisting of the Stockton Unified School District General Obligation Bonds, Election of 2012, Series A GO Reauthorization were issued by the District pursuant to a resolution, adopted by the Board of Education of the District on May 28, 2013 (the "**Series A Resolution**" and together with the 2014 Resolution and the 2016 Resolution, the "**Authorizing Resolutions**").

This Invitation is part of a plan by the District to refinance some or all of the outstanding Target Bonds, as will be described in the Refunding Bonds POS. The outstanding bonds of the District of any series that are not identified in the tables above on pages (i) through and including (ii) herein are not subject to this Invitation. For additional information concerning the District, the purpose of the Refunding Bonds, the District's financing plan, and its outstanding indebtedness, see the Refunding Bonds POS.

Pursuant to the Invitation, each Owner may tender to the District for purchase the Target Bonds, in a denomination of $5,000 principal amount (the “Minimum Authorized Denomination”) or any integral multiple of $5,000 in excess thereof, with respect to which the Owner has a beneficial ownership interest.

See below for more information on how an Owner can tender its Target Bonds for purchase, as applicable, and the Purchase Price offered.

The purchase of any of the Target Bonds tendered for purchase pursuant to the Invitation is contingent on the issuance of the Refunding Bonds. The District’s obligations to accept for purchase, and to pay for, the Target Bonds validly tendered (and not withdrawn) pursuant to this Invitation are also subject to the satisfaction or waiver of certain conditions. See Section 17, “Conditions to Purchase,” for additional information regarding certain of such conditions.

Subject to the terms of this Invitation and the satisfaction of all conditions to the District’s obligation to purchase tendered Target Bonds as described herein, and provided that (i) the Target Bonds tendered by an Owner for purchase, as applicable, have been validly tendered by 5:00 p.m., New York City time, on December 1, 2023 (as extended from time to time in accordance with this Invitation, the “Expiration Date”), and (ii) the tendered Target Bonds have been accepted by the District on or before 5:00 p.m., New York City time, on December 7, 2023 (as extended from time to time in accordance with this Invitation, the “Acceptance Date”), the District will purchase such Target Bonds at the applicable Purchase Prices on December 14, 2023 or such later date as the District shall determine (such date, the “Settlement Date”). Accrued Interest on the Target Bonds purchased will also be paid on the Settlement Date.

All times in this Invitation are local time in New York City.

No assurances can be given that the Refunding Bonds will be issued or that the other conditions will be satisfied or waived or that any Target Bonds tendered for purchase, as applicable, by an Owner will be purchased. See section 12 “Acceptance of Target Bonds for Purchase” herein for more information on the selection of tendered Target Bonds to be purchased, if any. Subject to the terms and conditions set forth in this Invitation, the District reserves the right to amend or waive the terms of this Invitation as to any or all of the Target Bonds in any respect and at any time prior to the Acceptance Date or from time to time. The District also has the right to terminate this Invitation at any time up to and including the Acceptance Date. See Section 18 “Extension, Termination and Amendment of Invitation” herein below.

The District is under no obligation to accept any of the Target Bonds that are tendered for purchase, as applicable, pursuant to the Invitation, and, if any Target Bonds are accepted, will accept such Target Bonds as described herein in Section 12 “Acceptance of Target Bonds for Purchase.” Any Target Bonds tendered by Owners pursuant to this Invitation but not accepted by the District will be returned to the Owners and will continue to be payable and secured under the terms of the respective Authorizing Resolution under which such Target Bonds were issued until maturity or prior redemption. If all conditions to this Invitation are not satisfied or waived by the District on or prior to the Settlement Date, any Target Bonds tendered by Owners pursuant to this Invitation will be returned to the Owners and will continue to be payable and secured under the terms of the respective Authorizing Resolution under which such Target Bonds were issued until maturity or prior redemption.

It is anticipated that, subject to market conditions, all of the Target Bonds not tendered for purchase pursuant to this Invitation will remain outstanding.

If less than all of the Target Bonds of a given CUSIP number for which sinking fund installments have been established are purchased by the District, the District, in accordance with the applicable Authorizing Resolution, may have the ability to select which sinking fund installments may be reduced and the average life of the remaining Target Bonds may change.

Further details concerning the District's debt refunding plan will be contained in the Refunding Bonds POS. See also "Additional Considerations," hereinbelow. To make an informed decision as to whether, and how, to tender the Target Bonds for purchase pursuant to the Invitation, an Owner must read this Invitation carefully, including the Refunding Bonds POS.

None of the District, the Dealer Manager (as defined below) or the Information Agent and Tender Agent (as defined below) make any recommendation that any Owner tender or refrain from tendering all or any portion of such Owner's Target Bonds for purchase. Owners must make these decisions and should consult with their broker-dealer, financial, legal, accounting, tax and other advisors in making these decisions.

3. Dealer Manager, Information Agent and Tender Agent

The Dealer Manager for this Invitation is Loop Capital Markets LLC (the "Dealer Manager"). Globic Advisors is serving as Information Agent and Tender Agent (the "Information Agent and Tender Agent") in connection with this Invitation. Owners with questions about the substance of this Invitation should contact the Dealer Manager. Owners with questions about the mechanics of this Invitation should contact the Information Agent and Tender Agent. Contact information for the Dealer Manager and the Information Agent and Tender Agent is as follows:

Dealer Manager:

Loop Capital Markets LLC
Phone number: 415-635-3776
Attention: Robert Larkins
Email address: robert.larkins@loopcapital.com

Information Agent and Tender Agent:

Globic Advisors
(212) 227-9622
Attention: Robert Stevens
Email address: rstevens@globic.com

In addition to serving as Dealer Manager for the Target Bonds, Loop Capital Markets LLC is also serving as Underwriter for the District's 2023 General Obligation Refunding Bonds, Series A and the Refunding Bonds described in Appendix A hereto.

4. Plan of Finance

This Invitation is being issued as part of a plan of finance to use proceeds from the sale of the Refunding Bonds. Further, as described above, the District's purchase of Target Bonds pursuant to this Invitation is contingent upon the receipt of sufficient proceeds for such purpose from the issuance of the Refunding Bonds. There can be no assurance that the Refunding Bonds will be issued or when they will be issued or that the proceeds thereof will be sufficient to enable the District to purchase any or all of the Target Bonds tendered for purchase.

The purpose of this Invitation and the issuance of the Refunding Bonds is to produce present value debt service savings. Thus, the final decision to purchase Target Bonds, and, if less than all of the Target Bonds that are tendered are purchased, which Target Bonds will be accepted for purchase by the District will be based upon market conditions associated with the sale of the Refunding Bonds and other factors outside of the control of the District.

5. Information to Owners

The District will provide additional information about this Invitation, if any, to the market and Owners, including, without limitation, the Refunding Bonds POS and any supplement thereto, by delivery of such information in the following ways: (i) to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website, currently located at http://emma.msrb.org (the "EMMA Website"), using the CUSIP numbers for the Target Bonds listed on pages (i) through and including (ii) herein; (ii) to DTC (defined below) and to the DTC participants holding the Target Bonds; and (iii) by posting electronically on the website of the Information Agent and Tender Agent at www.globic.com/stocktonusd. Delivery by the District of information in this manner will be deemed to constitute delivery of the information to each Owner. The Dealer Manager, and the Information Agent and Tender Agent have no obligation to ensure that an Owner actually receives any information provided by the District in this manner. An Owner who would like to receive information furnished by or on behalf of the District as described above must make appropriate arrangements with its broker, account executive or other financial advisor or representative. The final Official Statement with respect to the Refunding Bonds will be posted to the EMMA Website.

6. Expiration Date; Offers Only Through Financial Institutions; Brokerage Commission

This Invitation will expire at 5:00 p.m., New York City time, on December 1, 2023, the Expiration Date, unless earlier terminated or extended as described in this Invitation. Tenders of the Target Bonds received after 5:00 p.m., New York City time, on the Expiration Date (as it may be extended) will not be considered. See section 18 "Extension, Termination and Amendment of Invitation" herein for a discussion of the ability of the District to extend the Expiration Date and to terminate or amend this Invitation.

All of the Target Bonds are held in book-entry-only form through the facilities of The Depository Trust Company of New York ("DTC"). The Information Agent and Tender Agent and DTC have confirmed that the Invitation is eligible for submission of tenders for purchase through DTC's Automated Tender Offer Program (known as the "ATOP" system). Owners of the Target Bonds who want to accept this Invitation to sell, as applicable, the Target Bonds must do so through a DTC participant in accordance with the relevant DTC procedures for the ATOP system. The District will not accept any tenders of the Target Bonds for purchase, as applicable, that are not made through the ATOP system. Owners who are not DTC participants can only tender the Target Bonds for purchase, as applicable, pursuant to this Invitation by making arrangements with and instructing the bank or brokerage firm through which they hold their Target Bonds (sometimes referred to herein as a "custodial intermediary") to tender the Owner's Target Bonds on their behalf through the ATOP system. To ensure an Owner's Target Bonds are tendered through the ATOP system by 5:00 p.m., New York City time, on the Expiration Date, Owners must provide instructions to the bank or brokerage firm through which their Target Bonds are held in sufficient time for such custodial intermediary to tender the Target Bonds in accordance with DTC procedures through the ATOP system by this deadline. Owners should contact their bank or brokerage firm through which they hold their Target Bonds for information on when such custodial intermediary needs the Owner's instructions in order to tender the Owner's Target Bonds through the ATOP system by 5:00 p.m., New York City time, on the Expiration Date. See also section 9 "Transmission of Offers by Financial Institutions; DTC ATOP Procedures," herein below. The District, the Dealer Manager, and the

Information Agent and Tender Agent are not responsible for making or transmitting any tender of the Target Bonds or for the transfer of any tendered Target Bonds through the ATOP system or for any mistakes, errors or omissions in the making or transmission of any tender or transfer.

Owners will not be obligated to pay any brokerage commissions or solicitation fees to the District, the Dealer Manager or the Information Agent and Tender Agent in connection with this Invitation. However, Owners should check with their broker, account executive or other financial institution which maintains the account in which their Target Bonds are held to determine if it will charge any commission or fees.

7. Minimum Denominations and Consideration for Offers; Changes to the Terms of the Invitation

Authorized Denominations for Offers. An Owner may tender all or a portion of the Target Bonds of a particular CUSIP that it owns in an amount of its choosing, but only in principal amounts equal to the Minimum Authorized Denomination or any integral multiple of $5,000 in excess thereof.

The Pricing Notice will be made available: (1) at the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") website, currently located at http://emma.msrb.org (the "EMMA Website"), using the CUSIP numbers for the Target Bonds listed in pages (i) through and including (ii) of this Invitation, as applicable; (2) to The Depository Trust Company ("DTC") and to the DTC participants holding the Bonds (as shown in a securities position report obtained by the Information Agent and Tender Agent); and (iii) by posting electronically on the website of the Information Agent and Tender Agent at www.globic.com/stocktonusd.

In addition to the Purchase Price of the Target Bonds accepted for purchase by the District, Accrued Interest on such Target Bonds will be paid by, or on behalf of, the District to the tendering Owners on the Settlement Date. The Purchase Prices (and the Accrued Interest) will constitute the sole consideration payable by the District for the Target Bonds purchased by the District pursuant to the Invitation.

Changes to Terms of the Invitation. As described in section 18 "Extension, Termination and Amendment of Invitation" herein, the District may revise the terms of this Invitation prior to the Acceptance Date. If the District determines to revise the terms of the Invitation, it shall provide notice thereof in the manner described in section 5 "Information to Owners" of this Invitation no later than 11:00 a.m., New York City time, on the Business Day prior to the Acceptance Date. If subsequent to the publication of the Pricing Notice the District changes the Purchase Price for any of the Target Bonds pursuant to the Invitation, or makes any other material change to the terms of the Refunding Bonds (as determined by the District) pursuant to the Invitation, the District shall provide notice thereof (as described herein under "Information to Owners") no less than five (5) business days prior to the Expiration Date, as extended. In such event, any tenders submitted with respect to the affected Target Bonds prior to such change in the Purchase Price for such Target Bonds pursuant to the Invitation, or any other material change to the terms of the Refunding Bonds (as determined by the District) pursuant to the Invitation, will remain in full force and effect and any Owner of such affected Target Bonds wishing to revoke their tender of such Target Bonds must affirmatively withdraw such tender for purchase, as applicable, prior to the Expiration Date as described herein under section 11 "Withdrawals of Offers Prior to Expiration Date; Irrevocability of Offers on Expiration Date" herein.

8. Provisions Applicable to all Offers

An Owner should consult with its broker-dealer, financial, legal, accounting, tax and other advisors in determining whether to tender the Target Bonds for purchase, as applicable, and the principal amount of the Target Bonds to be tendered. An Owner should also inquire as to whether its financial institution will charge a fee for submitting tenders. The District, the Dealer Manager, and the Information Agent and Tender Agent will not charge fees to any Owner making an offer or completing the purchase, as applicable, of the Target Bonds.

A tender of the Target Bonds cannot exceed the par amount of the Target Bonds owned by the Owner. The Target Bonds may be tendered and accepted for payment only in principal amounts equal to the Minimum Authorized Denomination and integral multiples of $5,000 in excess thereof.

"All or none" tenders are not permitted. No alternative, conditional or contingent tenders will be accepted. All tenders shall survive the death or incapacity of the tendering Owner.

By tendering the Target Bonds pursuant to this Invitation, each Owner will be deemed to have represented and warranted to and agreed with the District and the Dealer Manager that:

a) the Owner has received, and has had the opportunity to review, this Invitation (including the Refunding Bonds POS) prior to making the decision as to whether or not it should tender its Target Bonds for purchase, as applicable;

(b) the Owner has full authority to tender, sell, assign and transfer such Target Bonds, and that, on the Settlement Date, the District, as transferee, will acquire good title to the tendered Target Bonds, free and clear of all liens, charges, encumbrances, conditional sales agreements or other obligations and not subject to any adverse claims, subject to payment to the Owner of the Purchase Price, plus in each case, payment of the Accrued Interest;

(c) the Owner has made its own independent decision to tender the Target Bonds, the appropriateness of the terms thereof, and whether it is appropriate for the Owner;

(d) such decisions are based upon the Owner's own judgment and upon advice from such advisors as the Owner has consulted;

(e) the Owner is not relying on any communication from the District or the Dealer Manager as investment advice or as a recommendation to tender bonds, it being understood that the information from the District or the Dealer Manager related to the terms and conditions of this Invitation shall not be considered investment advice or a recommendation to tender bonds; and

(f) the Owner is capable of assessing the merits of and understanding (on its own and/or through independent professional advice), and does understand and accept, the terms and conditions of the Invitation.

9. Transmission of Offers by Financial Institutions; DTC ATOP Procedures

Tenders of the Target Bonds for purchase, as applicable, pursuant to this Invitation may only be made to the District through DTC's ATOP system. Owners that are not DTC participants must tender their Target Bonds through their custodial intermediary. A DTC participant must tender the Target Bonds offered by the Owner pursuant to the Invitation on behalf of the Owner for whom it is acting, by book-entry through the ATOP system. In so doing, such custodial intermediary and the Owner on whose behalf the custodial intermediary is acting agree to be bound by DTC's rules for the ATOP system. In accordance with ATOP procedures, DTC will then verify receipt of the tendered Target Bonds and send an Agent's Message (as described below) to the Information Agent and Tender Agent.

The term "Agent's Message" means a message transmitted by DTC to, and received by, the Information Agent and Tender Agent and forming a part of the book-entry confirmation which states that DTC has received an express acknowledgement from the DTC participant tendering the Target Bonds for purchase, as applicable, that are the subject of such book-entry confirmation, stating: (i) the par amount of the Target Bonds that have been tendered by such DTC participant on behalf of the Owner pursuant to the Invitation, and (ii) that the Owner agrees to be bound by the terms of this Invitation, including the representations, warranties, agreements and affirmations deemed made by it as set forth in section 8 "Provisions Appliable to all Offers" herein above.

Agent's Messages must be transmitted to and received by the Information Agent and Tender Agent by not later than 5:00 p.m., New York City time, on the Expiration Date (as such date may have been changed as provided in this Invitation). The Target Bonds will not be deemed to have been tendered for cash purchase, as applicable, pursuant to the Invitation until an Agent's Message with respect thereto is received by the Information Agent and Tender Agent.

Each DTC participant is advised to submit each beneficial owner's instruction individually into DTC's ATOP system to ensure proper settlement.

10. Determinations as to Form and Validity of Offers; Right of Waiver and Rejection

All questions as to the validity (including the time of receipt of Agent's Messages by the Information Agent and Tender Agent), eligibility, and acceptance of any tenders of the Target Bonds for purchase, as applicable, will be determined by the District in its sole discretion and will be final, conclusive and binding.

The District reserves the right to waive any irregularities or defects in any tender. The District, the Dealer Manager, and the Information Agent and Tender Agent are not obligated to give notice of any defects or irregularities in tenders, and they will have no liability for failing to give such notice.

11. Withdrawals of Offers Prior to Expiration Date; Irrevocability of Offers on Expiration Date

An Owner may withdraw the Target Bonds tendered for purchase, as applicable, pursuant to this Invitation by causing a withdrawal notice to be transmitted via DTC's ATOP system to, and received by, the Information Agent and Tender Agent at or before 5:00 p.m., New York City time, on the Expiration Date (as the date and time may have been changed as provided in this Invitation).

Owners who are not DTC participants can only withdraw their tendered Target Bonds by making arrangements with and instructing the custodial intermediary through which they hold their Target Bonds to submit the Owner's notice of withdrawal through the DTC ATOP system.

All tenders of the Target Bonds for purchase, as applicable, will become irrevocable as of 5:00 p.m., New York City Time, on the Expiration Date (as such date may have been changed from time to time as provided in this Invitation).

12. Acceptance of Target Bonds for Purchase

On or before 5:00 p.m., New York City Time, on the Acceptance Date (i.e., December 7, 2023, unless extended), upon the terms and subject to the conditions of the Invitation, the District will announce its acceptance of the Target Bonds for purchase, as applicable, if any, validly tendered by Owners pursuant to this Invitation by giving notice in the manner described in section 5 "Information to Owners" herein, with acceptance subject to the satisfaction or waiver by the District of the conditions to the purchase, as applicable, of tendered Target Bonds. See section 14 "Acceptance of Offers Constitutes Irrevocable Agreement" and section 17 "Conditions to Purchase" herein

The District intends to purchase, as applicable, up to $130,000,000 in principal amount of the Target Bonds pursuant to this Invitation, though if certain conditions are not met the District may purchase, as applicable, none or a lesser principal amount of the Target Bonds. The District shall be under no obligation to accept any Target Bonds tendered for purchase, as applicable, pursuant to this Invitation.

The Target Bonds that will be purchased, as applicable, will be indicated by CUSIP. The District may choose to purchase, as applicable, some but not all of the tendered Target Bonds of a particular CUSIP. Should the District decide to only purchase, as applicable, a portion of the Target Bonds being tendered for purchase, as applicable, of a certain CUSIP, the District will accept such Target Bonds tendered for purchase, as applicable, on a pro rata basis except for certain Target Bonds which are term bonds subject to mandatory sinking fund payments. Except for certain Target Bonds which are term bonds subject to mandatory sinking fund payments, the principal amount of each individual tender will be accepted, pro rata, based upon the ratio of principal amount of such Target Bonds of a certain CUSIP accepted for purchase by the District divided by the aggregate principal amount of such Target Bonds tendered for purchase, as applicable. In such event, should the principal amount of any individual tender offer, when adjusted by the pro rata acceptance, result in an amount that is not a multiple of $5,000, the principal amount of such tender will be rounded up to the nearest multiple of $5,000. If as a result of such adjustment, the principal amount of a holder's unaccepted Target Bonds is less than the minimum authorized denomination of $5,000, the District will reject such holder's tendered Target Bonds in whole.

The District will determine the amount to accept for each CUSIP in its sole discretion, and reserves the right to accept significantly more or significantly less (or none) of any CUSIP as compared to any other CUSIP.

The acceptance notification will state: (i) the principal amount of the Target Bonds of each CUSIP number that the District has accepted for purchase, as applicable, in accordance with the Invitation, which may be zero for a particular CUSIP number, or (ii) that the District has decided not to purchase, as applicable, any Target Bonds.

Shortly following the giving of notice of its acceptance of tendered Target Bonds for purchase, as applicable, the District will instruct DTC to release from the controls of the ATOP system all the Target Bonds that were tendered but were not accepted for purchase, as applicable. The release of such Target Bonds will take place in accordance with DTC's ATOP procedures. The District, the Dealer Manager, and the Information Agent and Tender Agent are not responsible or liable for the operation of the ATOP system by DTC to properly credit such released Target Bonds to the applicable account of the DTC participant or custodial intermediary or by such DTC participant or custodial intermediary for the account of the Owner.

Notwithstanding any other provision of this Invitation, the obligation of the District to accept for purchase, and to pay for, as applicable, the Target Bonds validly tendered (and not validly withdrawn) by Owners pursuant to the Invitation is subject to the satisfaction or waiver of

the conditions set forth under Section 17, "Conditions to Purchase" below. The District reserves the right to amend or waive any of the terms of or conditions to this Invitation, in whole or in part, at any time prior to the Acceptance Date in its sole discretion. This Invitation may be withdrawn by the District at any time prior to the Acceptance Date.

13. Sinking Fund Installment Schedule Modification

Certain of the Target Bonds are term bonds subject to mandatory sinking fund payments. If less than all of the Target Bonds of a given CUSIP number that are subject to mandatory sinking fund payments are purchased by the District, the manner in which the sinking fund payments will be reduced for the remaining Target Bonds of that CUSIP number which are not purchased will be determined by the District. The District has the right to select which sinking fund payments for Target Bonds subject to sinking fund payments which are not purchased will be reduced. The reduction in sinking fund payments resulting from the purchase by the District of less than all of the Target Bonds of a given CUSIP number may cause the average life of the remaining bonds of that CUSIP number to change.

14. Acceptance of Offers Constitutes Irrevocable Agreement

Acceptance by the District of the Target Bonds tendered for purchase, as applicable, by Owners will constitute an irrevocable agreement between the tendering Owner and the District to sell and purchase, as applicable, such Target Bonds, subject to the conditions and terms of this Invitation, including the Conditions to Purchase set forth in Section 17, "Conditions to Purchase."

The acceptance of the Target Bonds tendered for purchase, as applicable, is expected to be made by notification to the Information Services no later than 5:00 p.m., New York City time, on the Acceptance Date. This notification will state the principal amount of the Target Bonds of each CUSIP number that the District has agreed to accept for purchase, as applicable, in accordance with this Invitation, which may be zero for a particular CUSIP number.

15. Settlement Date; Purchase of Target Bond

Subject to satisfaction of all conditions to the District's obligation to purchase, as applicable, tendered Target Bonds, as described herein, the Settlement Date is the day on which the Target Bonds accepted for purchase, as applicable, will be purchased and paid for at the applicable Purchase Prices for the required principal amount of the Refunding Bonds and the Accrued Interest on the Target Bonds to be purchased, as applicable, will also be paid. Such purchase and payment are expected to occur by 3:00 p.m., New York City time, on the Settlement Date. The Settlement Date has initially been set as December 14, 2023, unless extended by the District, assuming all conditions to the Invitation have been satisfied or waived by the District.

The District may, in its sole discretion, change the Settlement Date by giving notice thereof in the manner described in Section 5 of this Invitation prior to the change.

Subject to satisfaction of all conditions to the District's obligation to purchase the Target Bonds tendered for purchase pursuant to the Invitation, as described herein, payment by the District will be made through DTC on the Settlement Date. The District expects that, in accordance with DTC's standard procedures, DTC will transmit the aggregate Purchase Prices to be paid for the Target Bonds tendered for purchase (plus Accrued Interest) to DTC participants holding the Target Bonds accepted for purchase on behalf of Owners for subsequent disbursement to the Owners. **The District, the Dealer Manager and the Information Agent and Tender Agent have no responsibility or liability for the distribution of**

the Purchase Prices paid and Accrued Interest by DTC to DTC participants or by DTC participants to Owners.

Promptly following such deliveries and payments, the District will instruct the Paying Agent for the Target Bonds purchased, as applicable, to cause such Target Bonds to be cancelled and retired.

16. Sources of Funds to Pay Purchase Prices and Accrued Interest

The source of funds to purchase the Target Bonds validly tendered and accepted for purchase pursuant to the Invitation and accepted by the District is anticipated to be proceeds received by the District from the sale of its Refunding Bonds, expected to be issued on the Settlement Date. The District's ability to settle the cash purchase of the Target Bonds tendered for purchase is contingent upon the successful delivery of its Refunding Bonds and the other conditions set forth herein.

17. Conditions to Purchase

As described above, this Invitation is being issued as part of a plan of finance to use proceeds from the sale of the Refunding Bonds. The purpose of this Invitation and the issuance of the Refunding Bonds is to produce present value debt service savings. Thus, the consummation of the purchase of the Target Bonds pursuant to the Invitation is conditioned upon the District obtaining satisfactory and sufficient economic benefit therefrom when taken together with the proposed issuance of the Refunding Bonds, all on the terms and conditions that are in the District's best interest as determined by the District. Payment on the Settlement Date is conditioned upon the issuance of the Refunding Bonds. The District will not be required to purchase any Target Bonds, and will incur no liability as a result, if, before payment for, as applicable, the Target Bonds on the Settlement Date:

(i) The District does not, for any reason, have sufficient funds on the Settlement Date from the proceeds of the Refunding Bonds to pay the Purchase Prices of tendered Target Bonds accepted for purchase pursuant to the Invitation and pay all fees and expenses associated with the Refunding Bonds and this Invitation, including the Accrued Interest on all the Target Bonds accepted for purchase, as applicable;

(ii) Litigation or another proceeding is pending or threatened which the District believes may, directly or indirectly, have an adverse impact on this Invitation or the expected benefits of this Invitation to the District or the Owners;

(iii) There shall have occurred any outbreak or escalation of war, public health or other national or international emergency, banking moratorium, suspension of payments by banks, a general suspension of trading by the New York Stock Exchange or a limitation of prices on the New York Stock Exchange exists and the District believes this fact makes it inadvisable to proceed with the purchase of the Target Bonds;

(iv) A material change in the business or affairs of the District has occurred which the District believes makes it inadvisable to proceed with the purchase of the Target Bonds;

(v) A material change in the net benefits of the transaction contemplated by this Invitation and the Refunding Bonds POS has occurred due to a material change in market conditions which the District reasonably believes makes it inadvisable to proceed with the purchase of the Target Bonds; or

(vi) There shall have occurred a material disruption in securities settlement, payment or clearance services.

These conditions are for the sole benefit of the District. They may be asserted by the District at any time prior to the time of payment for, as applicable, the Target Bonds on the Settlement Date. The conditions may be waived by the District in whole or in part at any time and from time to time in its sole discretion and may be exercised independently for each maturity date and CUSIP number of the Target Bonds. The failure by the District at any time to exercise any of these rights will not be deemed a waiver of any of these rights, and the waiver of these rights with respect to particular facts and other circumstances will not be deemed a waiver of these rights with respect to any other facts and circumstances. Each of these rights will be deemed an ongoing right of the District which may be asserted at any time and from time to time through the Settlement Date. Any determination by the District concerning the events described in this Section 17 will be final and binding upon all parties. If, prior to the time of payment for, as applicable, any Target Bonds any of the events described happens, the District will have the absolute right to cancel its obligations to purchase, as applicable, the Target Bonds without any liability to any Owner or any other person.

18. Extension, Termination and Amendment of Invitation

Through and including the Acceptance Date, the District has the right to extend this Invitation, to any date in its sole discretion. Notice of an extension of the Expiration Date will be given in the manner described in Section 5 of this Invitation, on or about 11:00 a.m., New York City time, on the first business day after the then current Expiration Date.

The District also has the right, prior to the Acceptance Date to terminate this Invitation at any time by giving notice of such termination in the manner described in Section 5 of this Invitation.

The District also has the right, prior to the Acceptance Date, to amend or waive the terms of this Invitation in any respect and at any time by giving notice of the amendment or waiver in the manner described in Section 5 of this Invitation. The amendment or waiver will be effective at the time specified in such notice.

If the District amends the terms of this Invitation, including a waiver of any term, in any material respect, notice of such amendment or waiver will be given no later than five (5) Business Days prior to the Expiration Date, as extended, to provide reasonable time for dissemination of such amendment or waiver to Owners and for Owners to respond. If the District changes the Purchase Price for any of the Target Bonds pursuant to the Invitation, or makes any other material change to the terms of the Refunding Bonds (as determined by the District) pursuant to the Invitation, any tenders submitted with respect to the affected Target Bonds prior to such change in the Purchase Price for such Target Bonds pursuant to the Invitation will remain in full force and effect, and any Owner of such affected Target Bonds wishing to revoke its tender of such Target Bonds for purchase, as applicable, must affirmatively withdraw such tender prior to the Expiration Date as described in Section 11 hereof.

No extension, termination or amendment of this Invitation (or waiver of any terms of this Invitation) will: (i) change the District's right to decline to purchase, as applicable, any Target Bonds without liability; or (ii) give rise to any liability of the District, the Dealer Manager, or the Information Agent and Tender Agent to any Owner or nominee.

19. Certain Federal Income Tax Consequences

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Target Bonds that tender their Target Bonds for cash. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective tendering investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Target Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Internal Revenue Code of 1986 (the "Code"), or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Target Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors who will hold their Target Bonds as "capital assets" within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Target Bonds other than investors that are U.S. Holders.

As used herein, "U.S. Holder" means a beneficial owner of a Target Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds the Target Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding the Target Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Target Bonds (including their status as U.S. Holders).

PROSPECTIVE TENDERING INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. TAX CONSEQUENCES TO THEM FROM THE TENDER OF THE TARGET BONDS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Tendering U.S. Holders. The tender of a Target Bond for cash will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Target Bond will recognize a gain or loss equal to the difference between (i) the amount of cash received (except to the extent attributable to accrued but unpaid interest and original issue discount (the "OID") accrued since the most recent compounding date on the Target Bond, which will be treated for federal income tax purposes as a coupon payment on the Target Bond) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Target Bond (generally, the purchase price paid by the U.S. Holder for the Target Bond, decreased by any amortized premium, and increased by the amount of any OID previously accrued by such U.S. Holder with respect to such Target Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Target Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Target Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

20. Additional Considerations

In deciding whether to participate in the Invitation, each Owner should consider carefully, in addition to the other information contained in this Invitation, the following:

Market for Target Bonds. The Target Bonds are not listed on any national or regional securities exchange. To the extent that the Target Bonds are traded, their prices may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Owners may be able to effect a sale of the Target Bonds at a price higher than the Purchase Price established pursuant to the Invitation.

Target Bonds Not Tendered or Accepted for Purchase. Owners of the Target Bonds who do not accept this Invitation or whose Target Bonds that are tendered but not accepted will continue to hold their interest in such Target Bonds. If the Target Bonds are purchased, as applicable, pursuant to this Invitation, the principal amount of the Target Bonds for a particular CUSIP that remains outstanding will be reduced, which could adversely affect the liquidity and market value of the Target Bonds of that CUSIP that remain outstanding.

The terms of the Target Bonds that remain outstanding will continue to be governed by the terms of the respective Authorizing Resolution under which such Target Bonds were issued. The Target Bonds maturing after the respective first optional redemption date are subject to redemption in whole or in part, at the option of the District on any date on or after its respective first optional redemption date indicated in the tables above, at a redemption price equal to 100% of the principal amount of the Target Bonds, or portions thereof, to be redeemed plus accrued but unpaid interest to the date fixed for redemption, without premium. Further details concerning the District's debt refunding plan will be contained in the Refunding Bonds POS.

If less than all of the Target Bonds of a given CUSIP number for which sinking fund installments have been established are purchased by the District, the District, in accordance with the governing documents, has the ability to select which sinking fund installments may be reduced and the average life of the remaining Target Bonds may change.

To the extent the Target Bonds are not purchased, as applicable, pursuant to this Invitation the District reserves the right to, and may in the future decide to, acquire some or all of the Target Bonds through open market purchases, privately negotiated transactions, subsequent tender offers, exchange offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the consideration offered pursuant to this Invitation, which could be cash or other consideration. Any future acquisition of the Target Bonds may be on the same terms or on terms that are more or less favorable to Owners than the terms of the Invitation described in this Invitation. The District also reserves the right in the future to refund, or cause the refunding of (on an advance or current basis), any remaining portion of outstanding Target Bonds through the issuance of publicly offered or privately placed bonds. The decision to undertake any such future transactions will depend on various factors existing at that time. There can be no assurance as to which of these alternatives, if any, the District may ultimately choose to pursue in the future.

21. Soliciting Dealer Fees; Eligible Institutions Are Not Agents

The District agrees to pay, or cause to be paid, to (i) any commercial bank or trust company having an office, branch or agency in the United States, and (ii) any firm which is a member of a registered national securities exchange or of the Financial Industry Regulatory Authority (each, an "Eligible Institution"), a solicitation fee of $1.25 per $1,000 on the principal amount of the Target Bonds purchased from each of its Retail Customers by the District pursuant to the Invitation. A "Retail

Customer" is (i) an individual who owns less than $250,000 principal amount of the Target Bonds and manages its own investments or (ii) an individual who owns less than $250,000 principal amount of the Target Bonds whose investments are managed by an investment manager or bank trust department that holds the investments of that individual in a separate account in the name of that individual.

The Solicitation Fee Payment Request Form, attached hereto as Appendix C, must be returned to the Information Agent and Tender Agent no later than 5:00 p.m., New York City time, on or before the next business day following the Expiration Date, unless earlier terminated or extended. No payment of a solicitation fee will be made on requests received after this time. No solicitation fee will be paid on requests improperly submitted or for the Target Bonds not purchased by the District.

Eligible Institutions are not agents of the District for the Invitation.

22. The Dealer Manager

References in this Invitation to the Dealer Manager is to Loop Capital Markets LLC only in its capacity as the Dealer Manager.

The Dealer Manager may contact Owners regarding this Invitation and may request brokers, dealers, custodian banks, depositories, trust companies and other nominees to forward this Invitation to beneficial owners of the Target Bonds.

The District will pay to the Dealer Manager customary fees for its services in connection with this Invitation. In addition, the District will pay the Dealer Manager its reasonable out-of-pocket costs and expenses relating to this Invitation.

The Dealer Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Dealer Manager and its affiliates have, from time to time, performed, and may in the future perform, a variety of these services for the District, for which they received and or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealer Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities of the Dealer Manager and/or its affiliates may involve securities and instruments of the District, including but not limited to the Target Bonds which may be tendered for purchased, as applicable, pursuant to the Invitation.

In addition to its role as Dealer Manager in connection with this Invitation, the Dealer Manager is currently expected to act as an underwriter of the Refunding Bonds and other bonds anticipated to be issued by the District as will be described in the Refunding Bonds POS and, as such, it will receive compensation in connection with that transaction as well as for acting as Dealer Manager in connection with this Invitation.

23. Information Agent and Tender Agent

On behalf of the District, the Dealer Manager has retained Globic Advisors to serve as Information Agent and Tender Agent in connection with this Invitation. The District has agreed to reimburse the Dealer Manager for the Information Agent's and the Tender Agent's customary fees for its services and to reimburse the Dealer Manager for the Information Agent's and Tender Agent's reasonable out-of-pocket costs and expenses relating to this Invitation.

24. Miscellaneous

The Invitation is not being made to, and tenders will not be accepted from or on behalf of, Owners in any jurisdiction in which this Invitation or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions whose laws require the Invitation to be made through a licensed or registered broker or dealer, the Invitation is being made on behalf of the District by the Dealer Manager.

No one has been authorized by the District, the Dealer Manager or the Information Agent and Tender Agent to recommend to any Owners whether to tender the Target Bonds for purchase, as applicable, pursuant to this Invitation. No one has been authorized to give any information or to make any representation in connection with this Invitation other than those contained in this Invitation. Any recommendation, information and representations given or made cannot be relied upon as having been authorized by the District, the Dealer Manager or the Information Agent and Tender Agent.

None of the District, the Dealer Manager or the Information Agent and Tender Agent makes any recommendation that any Owner tender or refrain from tendering all or any portion of such Owner's Target Bonds for purchase, as applicable. Owners must make these decisions and should consult with their broker-dealer, financial, legal, accounting, tax and other advisors in making these decisions.

STOCKTON UNIFIED SCHOOL DISTRICT

APPENDIX A

PRICING NOTICE

RELATING TO THE
INVITATION TO TENDER FOR PURCHASE
Dated November 16, 2023

Made by

Stockton Unified School District

Pursuant to the Invitation to Tender for Purchase, dated November 16, 2023 (the "**Invitation**"), made by the Stockton Unified School District (the "**District**"), the Preliminary Official Statement dated November 16, 2023, relating to the District's 2023 General Obligation Refunding Bonds (the "**Refunding Bonds POS**"), and this Pricing Notice, the District invites the beneficial owners (the "**Owners**") of the outstanding bonds listed and maturing on the dates set forth in Exhibit A hereto (the "**Target Bonds**") to sell their Target Bonds to the District for payment in cash at the applicable tender purchase prices designated in Exhibit A hereto, plus in each case, accrued interest on the Target Bonds tendered for purchase, to but not including the Settlement Date ("**Accrued Interest**"), all on the terms and conditions as set forth in more detail herein.

Purchase prices as a percentage of par are set forth in Exhibit A hereto.

The ability of Owners of the Target Bonds to accept the Invitation of the District expires at 5:00 p.m., New York City time, on December 1, 2023.

Any questions can be directed to the:

Dealer Manager, Loop Capital Markets LLC at:
Phone number: 415-635-3776
Attention: Robert Larkins
Email address: robert.larkins@loopcapital.com

Or, to the:

Information Agent and Tender Agent, Globic Advisors, at:
Phone number: (212) 227-9622
Attention: Robert Stevens
Email address: rstevens@globic.com

Dated: November 24, 2023

EXHIBIT A

TARGET BONDS
SUBJECT TO INVITATION TO TENDER FOR PURCHASE

Stockton Unified School District
(San Joaquin County, California)
General Obligation Refunding Bonds, Series 2014 A (Tax Exempt)

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding	Interest Rate	Par Call Date	Purchase Price

Stockton Unified School District
(San Joaquin County, California)
2016 General Obligation Refunding Bonds

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding	Interest Rate	Par Call Date	Purchase Price

Stockton Unified School District
(San Joaquin County, California)
General Obligation Bonds,
Election of 2012, Series A GO Reauthorization Bonds®

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding	Interest Rate	Par Call Date	Purchase Price

[1] Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, 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 CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such CUSIP number.

APPENDIX B

PRELIMINARY OFFICIAL STATEMENT

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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 prior to registration, qualification or filing under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 16, 2023

NEW ISSUE – BOOK ENTRY ONLY

RATING:
Moody's: Applied for
(See "RATING" herein.)

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purposes of computing alternative minimum tax imposed on certain corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

$25,000,000*
STOCKTON UNIFIED SCHOOL DISTRICT
(SAN JOAQUIN COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
2014 ELECTION, 2023 SERIES C
(Ed-Tech Bonds®)

$28,380,000*
STOCKTON UNIFIED SCHOOL DISTRICT
(SAN JOAQUIN COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
2018 ELECTION, SERIES C
(GO Reauthorization Bonds®)

STOCKTON UNIFIED SCHOOL DISTRICT
(SAN JOAQUIN COUNTY, CALIFORNIA)
2023 GENERAL OBLIGATION REFUNDING BONDS
Consisting of:

$20,000,000*
2023 General Obligation Refunding Bonds, Series A

$50,000,000*
2023 General Obligation Refunding Bonds, Series B

Dated: Date of Delivery **Due: July 1 or August 1, as shown on inside cover pages.**

The Stockton Unified School District (San Joaquin County, California) General Obligation Bonds, 2014 Election, 2023 Series C (Ed-Tech Bonds®) (the "2014 Series C Bonds") and the Stockton Unified School District, 2018 Election, Series C (GO Reauthorization Bonds®) (the "2018 Series C Bonds," and together with the 2014 Series C Bonds, the "New Money Bonds") are being issued by the Stockton Unified School District (the "District") to finance the acquisition, construction, furnishing and equipping of District facilities, and to pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF FINANCE – The Projects." The 2014 Series C Bonds were authorized at an election within the District held on November 4, 2014 (the "2014 Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $114,000,000 aggregate principal amount of general obligation bonds of the District (the "2014 Authorization"). The 2018 Series C Bonds were authorized at an election within the District held on June 5, 2018 (the "2018 Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $156,380,000 aggregate principal amount of general obligation bonds of the District (the "2018 Authorization").

The Stockton Unified School District (San Joaquin County, California) 2023 General Obligation Refunding Bonds, Series A (the "Series A Refunding Bonds") are being issued by the District to (i) refund all or a portion of the District's outstanding 2012 General Obligation Refunding Bonds and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF FINANCE – The Refunding."

The Stockton Unified School District (San Joaquin County, California) 2023 General Obligation Refunding Bonds, Series B (the "Tender Refunding Bonds" and together with the Series A Refunding Bonds, the "Refunding Bonds") are being issued by the District to (i) purchase certain maturities of certain outstanding general obligation bonds of the District described herein (the "Target Bonds") pursuant to an invitation to the owners of such Target Bonds and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF FINANCE – The Tender Offer." The New Money Bonds and the Refunding Bonds are collectively referred to herein as the "Bonds." The Bonds have a co-equal lien on the *ad valorem* property taxes levied to pay debt service thereon with each other and with all other outstanding general obligation bonds of the District.

The District, with the assistance of Loop Capital Markets LLC, as dealer manager (the "Dealer Manager"), has released an "Invitation to Tender made by the Stockton Unified School District" dated November 16, 2023 (the "Tender Offer") inviting owners of the Target Bonds to tender such bonds for purchase by the District. The Tender Offer, unless extended or cancelled, is expected to expire on December 1, 2023 (the "Expiration Date"). The District will purchase all of the Target Bonds tendered for purchase and accepted by the District pursuant to the Notice of Acceptance of Tendered Bonds, expected to be dated December 7, 2023.* Such tender is expected to close concurrently with the issuance of the Bonds, and the District's ability to fund the purchase of such Target Bonds is contingent on the issuance of the Tender Refunding Bonds. See "PLAN OF FINANCE – The Tender Offer."

The Bonds are general obligations of the District only and are not obligations of San Joaquin County (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except for certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property within the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, , and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on either (i) February 1 and August 1 of each year, commencing February 1, 2024 or (ii) January 1 and July 1, commencing January 1, 2024, as described herein. See ''THE BONDS – Payment of the Bonds'' herein.

The Bonds will be issued in book-entry form only, in denominations of $5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by U.S Bank Trust Company, National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System."

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

The District has applied to Moody's Investor Service for a municipal bond rating on the Bonds. See "RATING" herein.

The District has applied for a policy of municipal bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds when due and will decide prior to the issuance of the Bonds whether to purchase such insurance. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or fewer than all of the Bonds.

MATURITY SCHEDULES
On Inside Cover Pages

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.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriter by its counsel, Jones Hall, a Profesional Law Corporation, San Francisco, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about December 14, 2023.

LOOP CAPITAL MARKETS

The Date of this Official Statement is: ______, 2023.

* Preliminary; subject to change.

MATURITY SCHEDULES

$_________
Stockton Unified School District
San Joaquin County, California)
General Obligation Bonds, 2014 Election, 2023 Series C
(Ed-Tech Bonds®)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP [1] (861419)

$_________
Stockton Unified School District
San Joaquin County, California)
General Obligation Bonds, 2018 Election, Series C
(GO Reauthorization Bonds®)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP [1] (861419)

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MATURITY SCHEDULES

$_________
Stockton Unified School District
(San Joaquin County, California)
2023 General Obligation Refunding Bonds, Series A

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP [1] (861419)

MATURITY SCHEDULES

$_________
Stockton Unified School District
(San Joaquin County, California)
2023 General Obligation Refunding Bonds, Series B

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP [2] (861419)

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STOCKTON UNIFIED SCHOOL DISTRICT
San Joaquin County, State of California

District Administrators

Michelle Rodriguez, Ed.D., *Superintendent*
Kasey Klappenback, *Assistant Superintendent, Educational Services*
Susana Ramirez, *Assistant Superintendent of Student Support Services*
Glendaly Gascot-Rios, *Assistant Superintendent of Human Resources*
Joann Juarez, *Interim Chief Business Official*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Municipal Advisor

Dale Scott & Company
San Francisco, California

Paying and Escrow Agent

U.S. Bank Trust Company, National Association
San Francisco, California

Verification Agent

Causey, Demgen & Moore
Denver, Colorado

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(continued)

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TABLE OF CONTENTS
(continued)

No dealer, broker, salesperson or other person has been authorized by the Stockton Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, 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 described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of San Joaquin, the County of San Joaquin has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE SAN JOAQUIN COUNTY INVESTMENT POOL."

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 offered hereby at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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.

$25,000,000*	**$28,380,000***
STOCKTON UNIFIED SCHOOL DISTRICT	**STOCKTON UNIFIED SCHOOL DISTRICT**
(SAN JOAQUIN COUNTY, CALIFORNIA)	**(SAN JOAQUIN COUNTY, CALIFORNIA)**
GENERAL OBLIGATION BONDS,	**GENERAL OBLIGATION BONDS,**
2014 ELECTION, 2023 SERIES C	**2018 ELECTION, SERIES C**
(Ed-Tech Bonds®)	**(GO Reauthorization Bonds®)**

STOCKTON UNIFIED SCHOOL DISTRICT
(SAN JOAQUIN COUNTY, CALIFORNIA)
2023 GENERAL OBLIGATION REFUNDING BONDS

Consisting of

$20,000,000*	**$50,000,000***
2023 General Obligation Refunding Bonds, Series A	**2023 General Obligation Refunding Bonds, Series B**

INTRODUCTION

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

General

The Stockton Unified School District (the "District") proposes to issue $25,000,000* aggregate principal amount of its General Obligation Bonds, 2014 Election, 2023 Series C (Ed-Tech Bonds®) (the "2014 Series C Bonds") under and pursuant to a bond authorization for the issuance and sale of not more than $114,000,000 of general obligation bonds approved by 55% or more of the registered voters of the District voting on the proposition (the "2014 Authorization") at a general election held on November 4, 2014 (the "2014 Election"). The 2014 Series C Bonds constitute the third series of bonds to be issued under the 2014 Authorization. Subsequent to the issuance of the 2014 Series C Bonds, $95,640,000* aggregate principal amount of general obligation bonds will remain for issuance pursuant to the 2014 Authorization.

Proceeds from the sale of the 2014 Series C Bonds will be used to maintain and upgrade educational technology and upgrade classroom security systems and to pay certain costs of issuance associated therewith. See "THE BONDS – Purpose of Issue" and "PLAN OF FINANCE- The Projects" herein.

The District proposes to issue $28,380,000* aggregate principal amount of its General Obligation Bonds, 2018 Election, Series C (the "2018 Series C Bonds," and together with the 2014 Series C Bonds, the "New Money Bonds") under and pursuant to a bond authorization for the issuance and sale of not more than $156,380,000 of general obligation bonds approved by 55% or more of the registered voters of the District voting on the proposition (the "2018 Authorization") at a general election held on June 5, 2018 (the "2018 Election"). The 2018 Series C Bonds constitute the third and final series of bonds to be issued under the 2018 Authorization.

* Preliminary; subject to change.

Proceeds from the sale of the 2018 Series C Bonds will be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith. See "THE BONDS- Purpose of Issue" and "PLAN OF FINANCE – The Projects" herein.

The District proposes to issue $20,000,000* aggregate principal amount of its 2023 General Obligation Refunding Bonds, Series A (the "Series A Refunding Bonds") in order to (i) refund all or a portion of its outstanding 2012 General Obligation Refunding Bonds (the "2012 Refunding Bonds") and (ii) pay all legal, financial and contingent costs in connection with the issuance of the Series A Refunding Bonds. See "PLAN OF FINANCE – The Refunding" herein. The 2012 Refunding Bonds were issued to refund certain outstanding general obligation bonds of the District issued pursuant to an authorization for the issuance and sale of not to exceed $80,000,000 of general obligation bonds approved by more than two-thirds of the registered voters of the District voting on the proposition at a general election held on November 7, 2000 ("2000 Authorization").

Refunding bonds are not counted against the 2000 Authorization; and, therefore, the District may issue the Series A Refunding Bonds, as well as additional refunding bonds in the future, to refund outstanding general obligation bonds issued pursuant to the 2000 Authorization.

The District also proposes to issue $50,000,000* aggregate principal amount of its 2023 General Obligation Refunding Bonds, Series B (the "Tender Refunding Bonds" and together with the Series A Refunding Bonds, the "Refunding Bonds") in order to (i) purchase certain maturities of certain outstanding bonds of the District described herein (the "Target Bonds") pursuant to an invitation to the owners of such Target Bonds and (ii) pay certain costs of issuance associated with the Tender Refunding Bonds, as more fully described herein below and under the caption "PLAN OF FINANCE – The Tender Offer."

The New Money Bonds and the Refunding Bonds are referred to herein collectively as the "Bonds."

The District, with the assistance of Loop Capital Markets LLC, as dealer manager (the "Dealer Manager"), has released an "Invitation to Tender made by Stockton Unified School District" dated November 16, 2023 (the "Tender Offer") inviting owners of the Target Bonds to tender such bonds for purchase by the District. The Tender Offer, unless extended or cancelled, is expected to expire on December 1, 2023 (the "Expiration Date"). The District will purchase all of the Target Bonds tendered for purchase and accepted by the District pursuant to the Notice of Acceptance of Tendered Bonds, expected to be dated December 7, 2023*. Such tender is expected to close concurrently with the issuance of the Tender Refunding Bonds and the District's ability to fund the tender of such purchased Target Bonds is contingent on the issuance of the Tender Refunding Bonds. See "PLAN OF FINANCE – Tender Offer."

The Bonds have a co-equal lien on the *ad valorem* property taxes levied to pay debt service thereon with each other and with all other outstanding general obligation bonds of the District.

Registration

U.S. Bank Trust Company, National Association will act as the paying agent for the Bonds (the "Paying Agent"). As long as The Depository Trust Company, New York, New York ("DTC") is the registered owner of the Bonds and DTC's book entry-method is used for the Bonds, the Paying Agent

* Preliminary; subject to change.

will send any notice of redemption or other notices to owners only to DTC. See "THE BONDS – Description of the Bonds" herein.

The District

The District was established on July 1, 1936 and is located in San Joaquin County (the "County"), in California's Central Valley. The boundaries of the District encompass an area of approximately 55 square miles. The District is located approximately 58 miles south of Sacramento, the capitol of the state of California (the "State"), 78 miles east of the San Francisco Bay Area, and 337 miles north of Los Angeles. The District operates fifty-four schools, comprised of forty-one K-8 schools (including one K-5 school and one charter school), eleven high schools (including three specialty high schools and four specialty charter high schools), one K-12 special education school, and one adult education school. The District also maintains an independent study program and a child development program. The average daily attendance (the "ADA") in the District for 2023-24 is budgeted to be 31,312 students, and the District has a 2023-24 total assessed valuation of $17,950,946,935. The District's audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX B. For further information concerning the District, see the caption "STOCKTON UNIFIED SCHOOL DISTRICT" herein.

The District is governed by a seven-member Board of Education (the "Board"), each member of which is elected by trustee areas to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent who is appointed by the Board and who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. See "STOCKTON UNIFIED SCHOOL DISTRICT – Board of Education" and " – Key Personnel" herein.

Significant Changes in District Leadership

Superintendent. The District has had multiple changes recently in key management positions. In April 2020, the then-Superintendent resigned from the District, and in June 2020, the Board appointed Brian Biedermann as the Interim Superintendent. That same month, the Board also contracted with John Ramirez, Jr. to serve as a consultant to both the Board and the Interim Superintendent from July 2020 through June 2021. When Mr. Biedermann stepped down in February 2021, the Board appointed Mr. Ramirez as the successor Interim Superintendent. The Board then appointed Mr. Ramirez to be Superintendent in May 2021. Mr. Ramirez resigned as Superintendent and was appointed Superintendent Emeritus by the Board for a 12-month period beginning July 1, 2022. In July, 2022, the Board appointed Traci Miller as Interim Superintendent. On February 28, 2023, the Board terminated Mr. Ramirez's Superintendent Emeritus contract with the District. On July 1, 2023, the Board appointed Dr. Michelle Rodriguez to be Superintendent of the District, and Dr. Rodriguez has continued in that role since appointment. Dr. Rodriguez is the 14th Superintendent in the District in 17 years.

Chief Business Official. Simultaneously with the changes in personnel in the Superintendent position, there were also multiple changes to the Chief Business Official ("CBO") position. In April 2020, the then-CBO resigned, and the Board appointed Susanne Montoya as Interim CBO. In October, 2020, the Board appointed Ms. Montoya as CBO. In June, 2021, Ms. Montoya retired from the District. The Board named Marcus Battle as Interim CBO in May, 2021 and appointed him CBO in November, 2021. Mr. Battle resigned in August, 2022. In August, 2022, Joann Juarez was appointed by the Board as Interim CBO. Approximately eight months into her tenure as Interim CBO, Joann Juarez resigned her interim role to return to her former position as the District's Budget Manager, effective July 1, 2023, though she subsequently returned to the Interim CBO position and currently holds that position while a search is underway for a CBO.

Independent Audit Findings; Internal Controls; Material Weaknesses and Deficiencies

The audited financial statements included as Appendix B hereto include numerous findings in addition to those discussed in the body of this Official Statement. Investors should read the entirety of the 2021-22 Audit, including the notes thereto, when considering their purchase of the Bonds.

The District currently holds a “lack of going concern” designation from the San Joaquin County Office of Education (“SJCOE”) and “High Risk” status from the California Department of Education (“CDE”).

The SJCOE based its lack of going concern determination on several factors, including: (i) unreliable budget development, with the District’s fiscal year 2022-23 adopted budget having been conditionally approved, (ii) insufficient budget monitoring and updates, (iii) inadequate cash management, (iv) mismanaged collective bargaining agreements, (v) continuing deficit spending, (vii) inattention to enrollment and attendance reporting, (vii) ineffective internal controls and fraud prevention, (ix) breakdown in leadership and communication, and (viii) other related areas of concern. See “DISTRICT FINANCIAL INFORMATION- Lack of Going Concern Designation and Fiscal Health Risk Analysis” herein.

Certain procurement irregularities in the District relating to expenditure of certain Covid-relief funds were brought to the attention of SJCOE who then requested that the Fiscal Crisis and Management Team (“FCMAT”) undertake an Assembly Bill 139 (“AB 139”) extraordinary audit to determine if fraud, misappropriation of funds or other illegal fiscal practices had occurred at the District. The audit concluded that fraud, misappropriation of funds or other illegal fiscal practices may have occurred at the District, as well as identified multiple internal control deficiencies present at the District. The FCMAT AB 139 audit of the District is available at https://www.fcmat.org/PublicationsReports/sjcoe-stockton-usd-final-report.pdf but such website is not incorporated herein by reference and is provided for ease of access only.

The AB 139 audit findings, as well as the SCJOE determination, together with certain deficiencies in i) cash reconciliation, ii) disclosure of collective bargaining agreement impacts, iii) resolution of audit findings, iv) position control, and v) expenditure of time-limited one-time funds resulted in the CDE’s assignment of high risk status to the District. See “DISTRICT FINANCIAL INFORMATION” herein.

For more detail regarding the foregoing, See “DISTRICT FINANCIAL INFORMATION - Procurement Irregularities, Internal Control Deficiencies and Audit Findings,”, “- Conditional Approval of Fiscal Year 2022-23 Budget,” “- Lack of Going Concern Declaration and Fiscal Health Risk Analysis,” “- CDE Notification of "High Risk" Status,” “--Approval of Fiscal Year 2023-24 Budget.” herein.

Other Developing Matters

The County District Attorney is currently undertaking an investigation of the District. Unconfirmed media reports also describe investigations by certain federal authorities, including the Federal Bureau of Investigation and the Department of Justice, but the District makes no representation as to the accuracy of such statements or the existence of such investigations. See “DISTRICT FINANCIAL INFORMATION – Grand Jury Reports, DA Investigations and other Investigations” herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Bonds are not payable from the General Fund of the District. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. U.S. Bank Trust Company, National Association, San Francisco, California, is acting as paying agent for the Bonds. Dale Scott & Company, Inc., San Francisco, California, is acting as Municipal Advisor to the District in connection with the issuance of the Bonds. Computershare Trust Company, National Association is acting as escrow agent for the Series A Refunding Bonds. Jones Hall, a Professional Law Corporation, San Francisco, California, is acting as counsel to the Underwriter with respect to the Bonds. The above professionals will receive compensation which is contingent upon the sale and delivery of 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," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

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 on or about December 14, 2023.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The New Money Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State (the "Government Code") (commencing with Section 53506), applicable provisions of the Education Code of the State (the "Education Code") and, with respect to the 2014 Series C Bonds, pursuant to a resolution of the Board of Education ("Board") of the District adopted on October 24, 2023 (the "2014 Series C Resolution") and with respect to the 2018 Series C Bonds, pursuant to a resolution of the Board adopted on November 14, 2023 (the "2018 Series C Resolution").

The Refunding Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Articles 9 and 11 of the Government Code (commencing with Section 53550) and pursuant to a resolution of the Board adopted on October 24, 2023 (the "Refunding Resolution" and together with the 2014 Series C Resolution and the 2018 Series C Resolution, the "Resolutions").

The District received a waiver from the California State Board of Education on June 6, 2023 of Section 15270(a) of the Education Code which places limitations on bonded indebtedness of school districts. The waiver permits the District's total bonded indebtedness to not exceed 4.81% of assessed valuation through August 1, 2038. The District will be within this bonded indebtedness limit at the time of issuance of the Bonds.

Purpose of Issue

The net proceeds of the 2014 Series C Bonds will be applied to increase student access to computers; maintain and upgrade educational technology; upgrade classroom security systems for increased student safety; and upgrade technology servers, routers, switches and storage area networks. See "PLAN OF FINANCE – The Projects" herein.

The net proceeds of the 2018 Series C Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the 2018 Election. See "PLAN OF FINANCE – The Projects" herein.

The net proceeds of the Series A Refunding Bonds will be applied to refund all or portion of the outstanding 2012 Refunding Bonds. See "PLAN OF FINANCE – The Refunding" herein.

The net proceeds of the Tender Refunding Bonds will be applied to purchase all of the Target Bonds tendered and accepted for purchase by the District. See "PLAN OF FINANCE – The Tender Offer" herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of $5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" herein.

Payment of the Bonds

Interest on the New Money Bonds and the Tender Refunding Bonds is payable commencing February 1, 2024, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date" with respect to the New Money Bonds and the Tender Refunding Bonds).

Interest on the Series A Refunding Bonds is payable commencing January 1, 2024, and semiannually thereafter on January 1 and July 1 of each year (each, an "Interest Payment Date" with respect to the Series A Refunding Bonds).

Principal of the New Money Bonds and the Tender Refunding Bonds is payable on August 1 of each year as shown on the inside front cover pages hereof until maturity or the earlier redemption thereof.

Principal of the Series A Refunding Bonds is payable on July 1 of each year as shown on the inside front cover pages hereof until maturity or the earlier redemption thereof.

The Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rate applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (each, a "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Record Date, in which event interest shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption*

Optional Redemption. The New Money Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The New Money Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, in whole or in part, from any source of available funds, on any date on or after August 1, 20__ at a redemption price equal to the par amount of the New Money Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Series A Refunding Bonds are not subject to redemption prior to maturity.

The Tender Refunding Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Tender Refunding maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, in whole or in part, from any source of available funds, on any date on or after August 1, 20__ at a redemption price equal to the par amount of the Tender Refunding to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Redemption. The 2018 Series C Bonds maturing on August 1, 20__ 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 as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefore and the final payment date is as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed

* Maturity.

The Tender Refunding Bonds maturing on August 1, 20__ 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 as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefore and the final payment date is as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed

* Maturity.

* Preliminary; subject to change.

In the event that a portion of the 2018 Series C Bonds maturing on August 1, 20__ or the Tender Refunding Bonds maturing on August 1, 20__ is 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 of such 2018 Series C Bonds or Tender Refunding Bonds optionally redeemed.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity within a series. 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 the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice of the redemption of the Bonds at least 20 but not more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid. Such redemption notice shall 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 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 principal amount, as appropriate, of such Bond to be redeemed, (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part and (h) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date in the case of Bonds, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Right to Rescind Notice of Redemption

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

Effect of Notice of Redemption

Notice having been given as required in the applicable Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside for payment of the redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

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

Defeasance

If any or all outstanding Bonds shall be paid and discharged in any one or more of the following ways:

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

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or non-callable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), and related regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds outstanding at maturity thereof, including all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under the applicable Resolution shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the applicable Resolution.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of $5,000 Principal Amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), substantially in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

SOURCES AND USES OF FUNDS

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

Sources of Funds	2014 Series C Bonds	2018 Series C Bonds	Series A Refunding Bonds	Tender Refunding Bonds	Total
Principal Amount of Bonds					
Original Issue Premium					
Total Sources					
Uses of Funds					
Deposit to Building Fund					
Deposit to Escrow Fund					
Purchase of Target Bonds					
Costs of Issuance[(1)]					
Total Uses					

(1) Includes Underwriter's discount, Bond and Disclosure Counsel fees, Dealer-Manager fees, Tender and information Agent fees, bond insurance premium, if any, municipal advisory fees, paying agent and escrow agent fees, rating agency fees, escrow verification agent fees, and other costs of issuance.

Application of Proceeds

The net proceeds from the sale of the 2014 Series C Bonds (other than premium) shall be paid to the County to the credit of the Stockton Unified School District Building Fund (the "2014 Series C Building Fund") established pursuant to the 2014 Series C Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the projects (as described below) authorized by the 2014 Authorization. Any premium or accrued interest received by the District from the sale of the 2014 Series C Bonds will be deposited in the Debt Service Fund established pursuant to the 2014 Series C Resolution.

The net proceeds from the sale of the 2018 Series C Bonds (other than premium) shall be paid to the County to the credit of the Stockton Unified School District Building Fund (the "2018 Series C Building Fund") established pursuant to the 2018 Series C Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the projects (as described below) authorized by the 2018 Authorization. Any premium or accrued interest received by the District from the sale of the 2018 Series C Bonds will be deposited in the Debt Service Fund established pursuant to the 2018 Series C Resolution.

Earnings on the investment of moneys in either of the respective Building Funds or the respective Debt Service Funds will be retained in said respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Debt Service Funds may only be applied to make payments of principal of and interest, and premium, if any, on bonds of the District. All funds held in the respective Building Fund and the respective Debt Service Fund will be invested by the San Joaquin County Treasurer-Tax Collector (the "Treasurer").

The net proceeds of the Series A Refunding Bonds shall be paid to Computershare Trust Company, National Association, as escrow agent (the "Escrow Agent") and invested in certain securities, all of which are noncallable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in accordance with the resolution under with the 2012 Refunding Bonds were issued. See PLAN OF FINANCE- The Refunding."

District Investments

The Treasurer manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the County by school and community college districts located in the County, various special districts, and some cities within the State. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County Treasury. The *ad valorem* property taxes collected for payment of principal of and interest on the Bonds shall be deposited to the applicable Debt Service Fund of the District held by the County prior to being transferred to the Paying Agent for payment of the Bonds. The County invests moneys of school and community colleges over which it has jurisdiction in its pooled investment fund (the "Investment Pool").

The composition and value of investments under management in the Investment Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the Investment Pool, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates generally. For a further discussion of the Investment Pool, see the caption "THE SAN JOAQUIN COUNTY INVESTMENT POOL" herein.

DEBT SERVICE SCHEDULE

The following table summarizes the annual principal and interest payments on the Bonds, assuming no optional redemption.

ANNUAL DEBT SERVICE ON THE BONDS

	2014 Series C Bonds		2018 Series C Bonds		Series A Refunding Bonds		Tender Refunding Bonds		
Bond Year Ending (July 1/ August 1)[1]	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Debt Service
2024									
2025									
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
2037									
2038									
2039									
2040									
2041									
2042									
2043									
2044									
2045									
2046									
2047									
2048									
2049									
2050									
2051									
2052									
Total									

[1] The bond year ends August 1 in each year with respect to the New Money Bonds and the Tender Refunding Bonds and July 1 in each year with respect to the Series A Refunding Bonds.

The following table summarizes the annual debt service payments for all of the District's outstanding bonds, assuming no optional redemption. See "STOCKTON UNIFIED SCHOOL DISTRICT –District Debt Structure" for a description of the District's outstanding general obligation bonds.

All or a portion of the outstanding 2012 Refunding Bonds are expected to be refunded by the Series A Refunding Bonds described herein. See "PLAN OF FINANCE – The Refunding." Certain maturities of the District's General Obligation Bonds, Election of 2012, Series A GO Reauthorization Bonds® (the "2012 Series A Bonds"), General Obligation Refunding Bonds, Series 2014A (the "2014A Refunding Bonds"), and the 2016 General Obligation Refunding Bonds (the "2016 Refunding Bonds") are being offered to be tendered for purchase pursuant to the Tender Offer and, if tendered and accepted by the District may be refunded from proceeds of the Tender Refunding Bonds. See "PLAN OF FINANCE – The Tender Offer."

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STOCKTON UNIFIED SCHOOL DISTRICT
Total Annual Debt Service
Outstanding General Obligation Bonds

Fiscal Year Ending June 30	2008 Authorization	2012 Authorization[1]	2018 Authorization	2012 Refunding Bonds[2]	2014A Refunding Bonds[1]	2016 Refunding Bonds[1]	2014 Series C Bonds	2018 Series C Bonds	Refunding Bonds	Combined Debt Service
2024	$4,084,925.00	$8,085,362.52	$9,047,600.00	$4,989,250.00	$2,283,175.00	$11,722,575.00				
2025	4,885,894.00	8,668,862.51	8,307,600.00	4,987,375.00	2,346,550.00	11,796,200.00				
2026	5,054,455.00	8,890,237.51	4,283,225.00	4,985,500.00	2,414,425.00	11,984,075.00				
2027	4,556,423.00	8,961,237.51	4,354,600.00	4,973,375.00	2,486,300.00	11,942,825.00				
2028	8,757,671.00	9,220,112.51	4,377,350.00	3,532,375.00	2,556,800.00	12,223,825.00				
2029	6,005,470.00	8,817,762.51	4,655,975.00	5,323,750.00	2,635,425.00	12,200,200.00				
2030	6,525,470.00	9,717,662.50	4,655,600.00	--	2,706,800.00	12,378,075.00				
2031	7,085,470.00	9,882,262.50	4,657,850.00	--	2,785,550.00	12,516,825.00				
2032	7,685,470.00	10,044,365.63	4,662,750.00	--	2,866,050.00	19,714,700.00				
2033	8,330,470.00	10,207,415.63	4,508,500.00	--	2,952,675.00	3,948,350.00				
2034	13,510,470.00	10,375,512.50	9,427,912.50	--	3,034,925.00	--				
2035	14,225,470.00	10,560,687.50	10,223,537.50	--	3,122,300.00	--				
2036	14,975,470.00	10,745,790.63	9,988,287.50	--	3,230,768.75	--				
2037	15,760,470.00	10,948,293.75	9,752,287.50	--	3,326,706.25	--				
2038	16,585,470.00	11,161,593.75	9,512,825.00	--	3,421,100.00	--				
2039	17,455,470.00	11,371,946.88	8,294,750.00	--	3,518,200.00	--				
2040	5,340,470.00	11,590,437.50	11,721,625.00	--	3,621,000.00	--				
2041	5,390,470.00	11,805,800.00	12,647,450.00	--	--	--				
2042	20,325,470.00	12,143,250.00	4,416,225.00	--	--	--				
2043	16,375,470.00	12,370,487.50	5,323,950.00	--	--	--				
2044	22,485,470.00	6,007,800.00	8,145,550.00	--	--	--				
2045	6,175,470.00	--	8,930,025.00	--	--	--				
2046	5,490,470.00	--	9,093,300.00	--	--	--				
2047	8,614,670.00	--	1,441,300	--	--	--				
2048	26,026,310.00	--	--	--	--	--				
2049	4,528,750.00	--	--	--	--	--				
2050	24,863,125.00	--	--	--	--	--				
2051	26,041,250.00	--	--	--	--	--				
Totals	$327,141,933.00	$211,576,881.34	$172,430,075.00	$28,791,625.00	$49,308,750.00	$120,427,650.00				

[1] Includes debt service on Target Bonds which may be purchased with proceeds of the Tender Refunding Bonds.
[2] All or a portion of the 2012 Refunding Bonds are intended to be refunded with proceeds of the Series A Refunding Bonds.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein. The *ad valorem* property taxes collected for payment of principal of and interest on the Bonds shall be deposited to the applicable Debt Service Fund of the District held by the County prior to being transferred to the Paying Agent for payment of the Bonds.

The District is authorized to issue refunding bonds to refund its outstanding general obligation bonds (including general obligation refunding bonds) or to purchase its outstanding general obligation bonds to be refunded under the Government Code (commencing with section 53550 thereof).

Property Taxation System

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

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

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or after January 1, 2016, 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.

Pledge of Tax Revenues

Under the Resolutions, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the "Pledged Moneys"). The Pledged Moneys shall be used to pay the principal of and interest on the Bonds when and as the same shall become due and payable.

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

PLAN OF FINANCE

The Projects

The District will apply the net proceeds of the New Money Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond propositions approved at the 2014 Election and the 2018 Election, respectively, each of which includes a ballot measure and a project list. The "Smaller Classes, Safer Schools, and Financial Accountability Act," a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to each of the 2014 Election and the 2018 Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the 2014 Series C Bonds and the 2018 Series C Bonds, as applicable, which was then submitted to the voters at the 2014 Election and the 2018 Election, respectively (the "Project Lists"). The District will prioritize and may not complete all components of the Project Lists.

The Refunding

The District intends to apply the net proceeds of the sale of the Series A Refunding Bonds to (i) refund all or a portion of outstanding 2012 Refunding Bonds (the "Refunded Bonds") and (ii) pay the costs of issuance of the Series A Refunding Bonds.

Upon the issuance of the Series A Refunding Bonds, the District will deposit the net proceeds of the Series A Refunding Bonds into an Escrow Fund (the "Escrow Fund") established pursuant to the Escrow and Deposit Agreement, by and between the District and Computershare Trust Company, National Association, as escrow agent (the "Escrow Agent") thereunder, in order to redeem the Refunded Bonds on January 14, 2024* (the "Redemption Date"), at a redemption price equal to the par amount of the Refunded Bonds, plus accrued interest to the Redemption Date.

The sufficiency of amounts deposited into the Escrow Fund, together with investment earnings thereon, to effect the redemption of the Refunded Bonds will be verified by Causey, Demgen & Moore, certified public accountants (the "Verification Agent"). See the caption "ESCROW VERIFICATION" herein.

* Preliminary; subject to change.

As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter's and the Verification Agent's computations, the Refunded Bonds will be defeased, and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will be discharged. Amounts deposited into the Escrow Fund are not available to pay debt service on the Bonds.

The Tender Offer

Concurrently herewith, the District, with the assistance of the Dealer Manager, has released the Tender Offer inviting owners of the Target Bonds listed in the Tender Offer and described in the tables below to tender such Target Bonds for purchase by the District. Such purchase of tendered Target Bonds is intended to be financed with the net proceeds of the Tender Refunding Bonds. The purpose of the Tender Offer is to refund the Target Bonds on the date of issuance of the Tender Refunding Bonds (the "Settlement Date") in order to produce present value debt service savings.

As set forth in the Tender Offer, the owners of the Target Bonds may tender such Target Bonds for cash and, subject to the conditions set forth therein, the District will purchase the Target Bonds that are accepted for purchase pursuant to the terms and at the purchase prices set forth in the Tender Offer, as confirmed in a related Pricing Notice dated November 24, 2023 and a related Notice of Acceptance of Tendered Bonds dated December 7, 2023, each as available on EMMA. The Target Bonds purchased pursuant to the Tender Offer (the "Purchased Target Bonds") are expected to be refunded and cancelled on the Settlement Date and shall no longer be deemed outstanding under their authorizing resolutions. Funds to pay the purchase price of the Purchased Target Bonds, and to pay the costs of the Tender Offer, will be provided from the proceeds of the Tender Refunding Bonds.

The foregoing discussion is not intended to summarize all of the terms of the Tender Offer and reference is made to the Tender Offer for the terms of the Tender Offer and the conditions for settlement of the Target Bonds validly tendered and accepted for purchase.

Based on the results of the Tender Offer, the Target Bonds listed in the Tender Offer may be (i) purchased pursuant to the Tender Offer, or (ii) remain outstanding.

The tendered Target Bonds accepted by the District for purchase are described in the below tables. Subject to satisfaction of all conditions to the District's obligation to purchase the Target Bonds tendered for purchase pursuant to the Tender Offer, payment by the District will be made through DTC on the Settlement Date. The District expects that, in accordance with DTC's standard procedures, DTC will transmit the aggregate Purchase Prices (as described in the Tender Offer) to be paid for the Target Bonds tendered for purchase (plus accrued interest) to DTC participants holding the Target Bonds accepted for purchase on behalf of bondowners for subsequent disbursement to the bondowners. The District, the Dealer Manager and the Information Agent and Tender Agent have no responsibility or liability for the distribution of the Purchase Prices paid and accrued interest by DTC to DTC participants or by DTC participants to bondowners.

The District will purchase Purchased Targeted Bonds at their respective Purchase Prices in amounts expected to achieve the District's financing goals. The District's ability to fund the tender of such Purchased Target Bonds is based on the issuance of the Tender Refunding Bonds. **The issuance of the Tender Refunding Bonds is dependent on the results of the Tender Offer as described in this Official Statement.** The final decision to purchase Target Bonds will be based upon market conditions associated with the sale of the Tender Refunding Bonds and other factors outside of the control of the District.

The Target Bonds

The following tables show information with respect to the specific maturities of the Target Bonds which may be purchased with the net proceeds of the Tender Refunding Bonds. Only the maturities of Target Bonds that are tendered and accepted for purchase by the District are considered Purchased Target Bonds. Following the Settlement Date, Purchased Target Bonds shall be cancelled and shall no longer be outstanding.

The proceeds of the Tender Refunding Bonds are intended to be applied to purchase the following Target Bonds:

Stockton Unified School District
(San Joaquin County, California)
General Obligation Bonds, Election of 2012, Series A
GO Reauthorization Bonds®

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding

Stockton Unified School District
(San Joaquin County, California)
General Obligation Refunding Bonds, Series 2014A (Tax Exempt)

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding

Stockton Unified School District
(San Joaquin County, California)
2016 General Obligation Refunding Bonds

CUSIP[1] (861419)	Maturity (August 1)	Principal Amount Outstanding

[1] Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, 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 CUSIP Service. The CUSIP number is provided for convenience of reference only. None of the District, the Underwriter or their agents take any responsibility for the accuracy of such CUSIP number.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

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 XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES" herein.

The State Constitution currently requires a credit of $7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of $100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to $150,000 if the applicant meets the income limit of $40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, 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 tables presents the historical assessed valuation in the District since fiscal year 2012-13. The District's total assessed valuation is $17,950,946,935 for fiscal year 2023-24.

STOCKTON UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2012-13 through 2023-24

Fiscal Year	Local Secured[(1)]	Utility	Unsecured	Total	Annual % Change
2012-13	$ 8,469,726,547	$7,926,415	$1,283,358,369	$9,761,011,331	(1.46%)
2013-14	8,758,773,565	6,849,730	1,268,756,775	10,034,380,070	2.80
2014-15	9,426,671,626	6,831,572	1,364,575,260	10,798,078,458	7.61
2015-16	9,973,673,108	6,821,095	1,383,385,565	11,228,876,579	3.99
2016-17	10,422,884,317	6,265,528	1,349,814,591	11,778,964,436	4.90
2017-18	11,342,865,257	6,295,547	1,374,662,856	12,723,823,660	8.02
2018-19	11,590,229,982	6,150,781	1,376,085,501	12,972,466,264	1.95
2019-20	12,256,690,522	6,161,922	1,201,888,874	13,464,741,318	3.79
2020-21	13,097,689,235	6,753,196	1,284,373,782	14,388,816,213	6.86
2021-22	13,957,695,380	6,741,276	1,331,726,683	15,296,163,339	6.31
2022-23	14,861,118,951	56,770,308[1]	1,575,405,793	16,493,295,052	7.82
2023-24	15,924,065,704	56,604,893	1,970,276,338	17,950,946,935	8.84

(1) Includes the secured assessed valuation of utility property and excludes the unitary assessed valuation of utility property, both as determined by the State Board of Equalization.
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, flood, fire, or toxic contamination, or other impacts of climate change and global warming, 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 "SECURITY FOR THE BONDS."

Natural Disasters Impacting Assessed Valuations

Drought Conditions. Water shortfalls resulting from the driest conditions in recorded State history caused a State-wide drought State of Emergency for California in 2014 and the imposition by State regulators of reductions in water usage through 2017 when the State-wide drought ended in almost all California counties.

During fiscal years 2020-21, 2021-22, and 2022-23, much of the State experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. Beginning in April, 2021, Governor Newsom signed several executive orders relating to the drought, including declaring states of emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during rain and using potable water to clean hard surfaces and driveways. In June, 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations followed by additional water use regulations in December prohibiting wasteful water use practices.

On March 24, 2023, as a result of rain and snowfall in the State, Governor Newsom rolled back many of the water use restrictions in his previous drought-related executive orders but left in place certain measures aimed at wasteful water uses as well as preserving ground water supplies.

Currently, according to the U.S. Drought Monitor, approximately 94.34% of the State is not experiencing drought and approximately 5.66% of the State is experiencing Abnormally Dry conditions. The County is not currently experiencing drought. The District cannot predict if or when water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

Wildfires. In recent years, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. During the summer of 2020, California experienced large-scale wildfires in several portions of the State. The District was not materially impacted by recent wildfires. No portion of the District is in a "High Fire Zone" per the California Department of Forestry and Fire Protection (CAL FIRE).

Earthquakes. All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the District due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the District and other local public entities and would require a high level of self-help, coordination and cooperation. Portions of the District are located in a high risk-level earthquake zone. The City of Stockton (the "City") has experienced a total of 269 earthquakes since 1931, with the largest earthquake within 30 miles of the City being a 5.6 magnitude, which occurred in

1980. According to the USGS database, there is an almost 80% chance of a major earthquake within 30 miles of the City within the next 50 years.

Floods. The Federal Emergency Management Agency produces Flood Insurance Rate Maps that show that portions of the District are in a 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year.

Climate Change. Climate change caused by human activities may have adverse effects on the property within the boundaries of the District. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts and wildfires as well as increased risk of flooding and a rise in sea levels. Projections of the impacts of global climate change are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts.

The occurrence of natural disasters within the boundaries of the District could result in substantial damage to property within the District (including District properties) and, in turn, could substantially reduce assessed valuations of such property.

Change in Economic Conditions. The outbreak of COVID-19 and the corresponding measures to prevent its spread caused widespread unemployment and economic slowdown in the United States, the State and the County. Such economic slowdown created risk for economic recession or depression or a general market decline in real estate values which in turn could have led to a reduction of assessed values in the District.

The District cannot make any representation regarding the effects that COVID-19, drought, flooding, change in economic conditions, caused by pandemic or otherwise, fire conditions, earthquakes, or other natural disasters has had, or may have on the value of taxable property within the District, or to what extent such conditions could cause disruptions to economic activity, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

Re-assessments and Appeals of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 ("Proposition 8"), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution."

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.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIIIA (currently, a 2% annual maximum) until such assessed value again equals the Article XIIIA base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIIIA, and base year values may not be increased by more than the standard Article XIIIA annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIIIA base year value for such property. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution" herein.

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District. However, any reduction in assessed value within the District would simply increase the tax rate necessary to pay the Bonds and any outstanding general obligations bonds of the District. The Board of Supervisors of the County is obligated to levy and collect *ad valorem* taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on outstanding general obligation bonds of the District.

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the District by political jurisdiction.

STOCKTON UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2023-24

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Stockton	$15,125,914,377	84.26%	$30,280,987,505	49.95%
Unincorporated San Joaquin County	2,825,032,558	15.74	28,856,391,124	9.79
Total District	17,950,946,935	100.00		
San Joaquin County	$17,950,946,935	100.00%	$108,457,999,584	16.55%

Source: *California Municipal Statistics, Inc.*

Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use.

STOCKTON UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2023-24

Non-Residential:	2023-24 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Agricultural	$ 34,152,398	0.21%	68	0.12%
Commercial	1,998,659,773	12.55	1,815	3.21
Vacant Commercial	69,546,477	0.44	470	0.83
Office and Professional Buildings	776,959,868	4.88	671	1.19
Industrial	2,817,436,964	17.69	998	1.76
Vacant Industrial	13,329,347	0.08	448	0.79
Recreational/Golf	41,272,849	0.26	93	0.16
Government/Social/Institutional	32,877,475	0.21	208	0.37
Miscellaneous	2,597,367	0.02	47	0.08
Subtotal Non-Residential	$5,786,832,518	36.34%	4,818	8.51
Residential:				
Single Family Residence	$8,587,184,842	53.93%	43,907	77.54%
Condominium/Townhouse	179,686,354	1.13	1,488	2.63
Mobile Home	28,347,535	0.18	435	0.77
Mobile Home Park	40,874,725	0.26	29	0.05
2-4 Residential Units	589,783,655	3.70	3,334	5.89
5+ Residential Units/Apartments	651,534,649	4.09	571	1.01
Vacant Residential	59,821,426	0.38	2,042	3.61
Subtotal Residential	$10,137,233,186	63.66%	51,806	91.49
Total	$15,924,065,704	100.00%	56,624	100.00%

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

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Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2023-24, including the median and average assessed value per single family parcel. According to Redfin, the median sales price of a single family home in September, 2023, was $450,000.

STOCKTON UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2023-24

	No. of Parcels	2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	43,907	$8,587,184,842	$195,577	$168,817

2023-24 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	369	0.840%	0.840%	$ 7,141,953	0.083%	0.083%
$25,000 -$49,999	2,447	5.573	6.414	98,607,758	1.148	1.231
$50,000 - $74,999	4,493	10.233	16.647	281,301,325	3.276	4.507
$75,000 - $99,999	3,957	9.012	25.659	346,431,294	4.034	8.542
$100,000 - $124,999	3,883	8.844	34.502	436,970,945	5.089	13.630
$125,000 - $149,999	4,006	9.124	43.626	551,680,939	6.424	20.055
$150,000 - $174,999	3,590	8.176	51.803	581,683,383	6.774	26.829
$175,000 - $199,999	3,091	7.040	58.843	578,467,252	6.736	33.565
$200,000 - $224,999	2,617	5.960	64.803	555,739,146	6.472	40.037
$225,000 - $249,999	2,589	5.897	70.699	612,972,107	7.138	47.175
$250,000 - $274,999	2,401	5.468	76.168	629,718,924	7.333	54.508
$275,000 - $299,999	2,018	4.596	80.764	578,990,514	6.742	61.251
$300,000 - $324,999	1,808	4.118	84.882	563,812,282	6.566	67.816
$325,000 - $349,999	1,531	3.487	88.369	515,584,581	6.004	73.820
$350,000 - $374,999	1,203	2.740	91.108	435,364,892	5.070	78.890
$375,000 - $399,999	1,008	2.296	93.404	389,974,006	4.541	83.432
$400,000 - $424,999	774	1.763	95.167	318,863,534	3.713	87.145
$425,000 - $449,999	563	1.282	96.449	245,665,070	2.861	90.006
$450,000 - $474,999	402	0.916	97.365	185,570,283	2.161	92.167
$475,000 - $499,999	252	0.574	97.939	122,888,652	1.431	93.598
$500,000 and greater	905	2.061	100.000	549,756,002	6.402	100.000
	43,907	100.000%		$8,587,184,842	100.000%	

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

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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2023-24.

STOCKTON UNIFIED SCHOOL DISTRICT
Largest Total Secured Taxpayers
Fiscal Year 2023-24

	Property Owner	Primary Land Use	2023-24 Assessed Valuation	% of Total (1)
1.	Prologis	Industrial	$ 212,544,626	1.33%
2.	EGMR Norcal Logistics Center LLC	Industrial	112,902,880	0.71
3.	Wilshire 3923 B Street Owner LLC	Industrial	107,100,000	0.67
4.	Wilshire 4650 Newcastle Road Owner LLC	Industrial	99,878,400	0.63
5.	ET Stockton Owner LLC	Industrial	88,077,111	0.55
6.	KW USREIF Tillie Lewis Drive Owner LLC	Industrial	84,000,000	0.53
7.	Central Valley Industrial Core Holdings LLC	Industrial	77,992,922	0.49
8.	ARC BBSTNCA001	Industrial	74,566,736	0.47
9.	IDIL Stockton Logistics II	Industrial	72,078,922	0.45
10.	PW Fund B LP	Industrial	64,034,844	0.40
11.	California Water Service Company	Water Company	58,798,883	0.37
12.	BREIT CS Gibralter LLC	Industrial	57,170,348	0.36
13.	Diamond Foods Inc.	Industrial	56,256,405	0.35
14.	G&I X Stockton Commerce LP	Industrial	55,921,500	0.35
15.	WTM Glimcher LLC	Shopping Center	53,841,930	0.34
16.	IDIL STKN B LLC	Industrial	49,072,687	0.31
17.	Joseph Camacho Trust	Apartments	43,987,494	0.28
18.	Patmon Stonebrier LP	Apartments	41,755,019	0.26
19.	Brixton Sherwood LLC	Shopping Center	41,690,600	0.26
20.	Donaghy Sales Inc.	Industrial	40,753,110	0.26
			$1,492,424,417	9.37%

(1) 2023-24 local secured assessed valuation: $15,924,065,704.
Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2023-24 account for 9.37% of the secured assessed value in the District which is $15,924,065,704. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2023-24 was Prologis, accounting for 1.33% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.71% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 3-005 within the District for fiscal years 2019-20 through 2023-24:

STOCKTON UNIFIED SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 3-000)(1)
Fiscal Years 2019-20 through 2023-24

	2019-20	2020-21	2021-22	2022-23	2023-24
General Tax Rate	$1.0000	$1.0000	$1.0000	1.0000	$1.0000
Stockton Unified School District	.2455	.2271	.1922	.2189	.2026
San Joaquin Delta Community College District	.0199	.0183	0.163	.0144	.0135
Total Tax Rate	$1.2654	$1.2454	$1.2085	$1.2333	$1.2161

(1) 2023-24 assessed valuation of TRA 3-000 is $1,352,881,247 which is 7.54% of the District's total assessed valuation.
Source: *California Municipal Statistics, Inc*.

The Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Tax Levies and Delinquencies

The table below summarizes the annual secured tax levy and delinquencies within the District as of June 30 for fiscal years 2018-19 through 2022-23. The County has adopted the Teeter Plan. As a result, the District's receipt of property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect.

STOCKTON UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2018-19 through 2022-23

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent June 30(2)	% Delinquent June 30
2018-19	$29,055,330	$378,121	1.30%
2019-20	30,926,577	582,973	1.89
2020-21	32,860,411	521,617	1.59
2021-22	34,111,340	514,432	1.51
2022-23	36,873,564	683,602	1.85

(1) Represents 1% General Fund apportionment. Excludes secured supplemental property.
(2) San Joaquin County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
Source: *California Municipal Statistics, Inc*.

Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table, and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of October 1, 2023:

STOCKTON UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness
Dated as of October 1, 2023

2023-24 Assessed Valuation: $17,950,946,935

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/23
San Joaquin Delta Community College District	15.306%	$ 24,896,740
Stockton Unified School District	**100.000**	**445,956,334**(1)
City of Stockton Community Facilities Districts	100.000	25,539,674
City of Stockton 1915 Act Bonds	100.000	1,125,881
San Joaquin Area Flood Control Levee Construction Maintenance Assessment District	61.554	17,068,924
San Joaquin Area Flood Control Smith Assessment District	100.000	8,945,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$523,532,553
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Joaquin County Certificates of Participation	16.551%	$ 9,093,119
Stockton Unified School District Certificates of Participation	**100.000**	**24,160,000**
City of Stockton Pension Obligation Bonds	49.952	26,298,356
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$59,551,475
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$62,339,063
COMBINED TOTAL DEBT		$645,423,091 (2)

Ratios to 2023-24 Assessed Valuation:
Direct Debt ($445,956,334)... 2.48%
Total Overlapping Tax and Assessment Debt 2.92%
Combined Direct Debt ($470,116,334) 2.62%
Combined Total Debt 3.60%

Ratio to Redevelopment Incremental Valuation.................................... ($3,923,673,696):
Total Overlapping Tax Increment Debt 1.59%

(1) Excludes the Bonds to be sold, but includes the 2012 Refunding Bonds and the Target Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: *California Municipal Statistics Inc.*

DISTRICT FINANCIAL INFORMATION

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 and interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Stockton Unified School District, 56 South Lincoln Street, Stockton, California 95203, Attention: Superintendent. The District may charge a small fee for copying, mailing and handling.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") was implemented in stages, beginning in fiscal year 2013-14 and was fully implemented in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system described below.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See "--Revenue Limit Funding System" below. The LCFF distributes resources to school districts through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant is $7,643 per unit of ADA, which is $2,375 more than the average revenue limit. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2023-24, the LCFF provides to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) $10,951 per ADA for kindergarten through grade 3; (b) $10,069 per ADA for grades 4 through 6; (c) $10,367 per ADA for grades 7 and 8; and (d) $12,327 per ADA for grades 9 through 12.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of a cost-of-living-adjustment ("COLA") is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2023-24, a 8.22% COLA was included. See "– State Budget Measures – 2023-24 State Budget" for information regarding the COLA for fiscal year 2023-24. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades 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. Unless 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. Additional add-ons are also provided 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. Beginning in fiscal year 2022-23, additional add-ons are provided for transitional-kindergarten.

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

The following table sets forth the historical enrollment (California Basic Educational Data System Actual) and ADA (second principal apportionment) for fiscal years 2016-17 through 2022-23.

STOCKTON UNIFIED SCHOOL DISTRICT
Historical Enrollment and ADA
Fiscal Years 2016-17 through 2022-23

Fiscal Year	ADA	Enrollment
2016-17	32,087	35,451
2017-18	33,030	35,438
2018-19	33,054	35,334
2019-20	32,923	33,943
2020-21	32,922	34,155
2021-22	31,448	34,145
2022-23	32,422	32,505

Source*: The District.*

The following table sets forth the ADA, enrollment, the percentage of EL/LI ("Unduplicated Count") enrollment, and the percentage of FRPM enrollment for fiscal year 2022-23, budgeted for the current year and projections for fiscal years 2024-25 and 2025-26.

STOCKTON UNIFIED SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2022-23 through 2025-26

	ADA					Enrollment		
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of Unduplicated Count	% of FRPM Enrollment
2022-23	10,541.35	7,827.01	5,295.90	8,925.77	32,590.03	33,802	81.97%	95.68%
2023-24[1]	9,975.20	7,615.12	5,033.49	8,868.99	31,492.80	32,505	80.47	95.68
2024-25[2]	9,388.64	7,289.23	4,797.22	8,784.17	30,259.26	31,665	80.47	95.68
2025-26[2]	9,072.52	6,979.24	4,722.99	8,408.13	29,182.88	30,856	80.47	95.68

[1] Budgeted.
[2] Projected.
Source: *The District/San Joaquin County Office of Education*.

Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts, other than certain charter school districts, were held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. Additionally, due to State-wide declining enrollment trends, additional hold harmless measures have been instituted to shelter school districts from large annual revenue losses. For fiscal year 2021-22, ADA for funding purposes was based on enrollment for fiscal year 2021-22 multiplied by the ADA to enrollment rate in fiscal year 2019-20 . The fiscal year 2022-23 budget for the State permits schools districts, on an on-going basis, to use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. Due to the declining enrollment trends, the District calculates funded ADA based on the average of the prior three years' ADA. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures."

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, prior year, or an average of the three prior years' ADA, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the 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, and does not expect to in future fiscal years.

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

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

Support and Intervention. AB 97 (2013), as amended by SB 91 (2013), establishes 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 to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

In the last five years, the District has adopted its annual LCAP in compliance with the LCFF.

Revenue Limit Funding System. Prior to the implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

Revenue Sources

The District categorizes its General Fund revenues into four sources. The annual percentage of revenue by each source for the most recent three fiscal years, estimated for fiscal year 2022-23 and budgeted for fiscal year 2023-24 is set forth in the table below.

STOCKTON UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source

Revenue Source	2019-20	2020-21	2021-22	2022-23[(1)]	2023-24[(2)]
LCFF sources	75.12%	67.25%	68.05%	64.01%	57.58%
Federal revenues	7.67	15.50	9.84	14.62	26.98
Other State revenues	15.13	15.06	19.05	23.03	14.37
Other local revenues	2.07	2.10	3.06	2.53	1.07

(1) Based on the Fiscal Year 2022-23 Unaudited Actuals.
(2) Based on the Adopted Fiscal Year 2023-24 Budget.
Source*: The District.*

Each of these revenue sources is briefly described below. For more information regarding the LCFF, see "-State Funding of Education" above.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. See "- State Funding of Education – Local Control Funding Formula" above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

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

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

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are $5.04 per square foot for residential housing and $0.61 per square foot for commercial or industrial development. The following table sets forth developer fee collections by the District for the last four fiscal years and the budgeted developer fee collections for the current fiscal year. Developer fees collected by the District are not available to be used to pay principal of or interest on the Bonds.

STOCKTON UNIFIED SCHOOL DISTRICT
Developer Fee Collections

Fiscal Year	Developer Fees Collected
2019-20	$2,294,510
2020-21	3,048,105
2021-22	5,205,946
2022-23[1]	3,447,120
2023-24[2]	3,624,828

[1] Estimated.
[2] Budgeted.
Source: *The District.*

COVID-19 Outbreak and its Economic Impact

In late 2019, an outbreak of COVID-19, a respiratory virus, initially occurred in China and subsequently spread globally. The global outbreak, together with measures undertaken to limit the spread of COVID-19 imposed by local and federal governments, caused volatility in financial markets as well as operating restrictions upon many businesses. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and increases in inflation as these restrictions and closures have been lifted.

Federal Response. On March 13, 2020, in response to the COVID-19 outbreak, then President Trump declared a national emergency, making available more than $50 billion in federal resources to combat the spread of COVID-19. Contemporaneously, Congress enacted and the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) to provide relief and stimulus to American businesses and individuals impacted by COVID-19. The CARES Act also designated $339.8 billion for state and local governments, with $274 billion for COVID-19 response efforts, as well as an additional $13 billion for K-12 schools. In order to provide extensions to certain benefits previously provided under the CARES Act, as well as address ongoing economic impacts of the COVID-19 pandemic, in December, 2020, the federal government enacted the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”) which included $900 billion of coronavirus emergency response and relief, including $54.3 billion for K-12 schools and $22.7 billion for higher education. In March, 2021, President Biden signed a $1.9 trillion stimulus package (the “American Rescue Package”) into law, authorizing a third round of one-time stimulus payments for qualifying Americans, extending additional unemployment benefits, and providing $123 billion in new, flexible aid to school districts. The Biden Administration ended the COVID-19 emergency declarations on May 11, 2023.

State Response. In response to the outbreak of COVID-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency. On March 19, 2020, Governor Newsom issued an Executive Order requiring mandatory shelter-in-place for all non-essential services. In September, 2020, the Governor replaced the Executive Order with the "Blueprint for a Safer Economy" ("Blueprint") which provided regulations for economic and social activity on a county by county basis related to certain metrics of disease transmission. The Blueprint system was terminated on June 15, 2021, and Governor Newsom ended the State of Emergency relating to COVID-19 on February 28, 2023.

As a result of the various regulations imposed in order to slow the spread of COVID-19, economic activity within the State, the County and the community around and within the District suffered episodes of recession and/or depression. Generally, a majority of the State's General Fund revenue is derived from personal income tax receipts. However, the fiscal year 2021-22 budget for the State and the 2022-23 State Budget (defined below) indicated increases in State revenues during the COVID-19 pandemic. The 2023-24 State Budget (defined below), however, forecasts revenues decreasing from recent years. See "See " – State Budget Measures – 2023-24 State Budget" for additional information regarding State revenues in fiscal year 2023-24.

Impact of COVID-19 on California School Districts

To assist school districts respond to the spread of COVID-19, on March 13, 2020, Governor Newsom issued Executive Order N-26-20, providing that school districts that initiated a school closure would continue to receive state funding to support all of the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in noncongregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. The Executive Order also provided that statutorily mandated maintenance of schools for a minimum of 175 days was waived for school districts that initiated a school closure to address COVID-19.

To address the impacts of school closures and the COVID-19 response, the State Legislature, in 2020, adopted legislation to appropriate $500,000,000 from the State General Fund for any purpose related to the Governor's declared State of Emergency. Among other things, the legislation provided that, for all school districts that complied with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, would be reported for apportionment purposes and, further, held harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak.

The District, like other school districts in the State, closed its school campuses for the remainder of the 2019-20 school year and implemented a distance learning program. The District began the 2020-21 school year with a distance learning program and began offering a hybrid model of instruction for all grades beginning in the second half of the 2020-21, when the County moved into a lower risk assessment tier under the Blueprint. The District began the 2021-22 school year offering full time in-person learning, for which the State provided grants to incentivize and assist school districts with re-opening and learning loss mitigation. The District currently remains fully open.

During the COVID-19 pandemic, the District received approximately $241.5 million in aggregate relief, including funding from the CARES Act, CRRSA and the American Rescue Package. The District has used such funding for staff training, sanitizing supplies, educational technology, mental health services, professional development, broadband connectivity, meal services for families, and learning loss staffing.

The District cannot predict the extent or duration of another COVID-19 outbreak or what impact it may have on the District's General Fund revenues. However, the Bonds are general obligations of the District payable solely from *ad valorem* property taxes and are not payable from the General Fund of the District. See "SECURITY FOR THE BONDS" herein.

Budget Procedures

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. 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.

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. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

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, will determine if the budget allows the district to meet its current obligations, and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets may be disapproved if they fail the above conditions. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than November 8, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. 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 reports 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 school district governing board must certify its financial condition as either positive, negative or qualified. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. The school district must file the report with the county superintendent of schools, who may either agree with the school district's certification or change the certification.

The District has filed positive certifications on each interim report in the last five fiscal years.

Procurement Irregularities, Internal Control Deficiencies, and Audit Findings

FCMAT Extraordinary Audit. In May 2021, a District employee met with the San Joaquin County Office of Education ("SJCOE") to relay concerns about procurement irregularities in a contract with IAQ Distribution, Inc., a distributor of indoor air quality monitoring and disinfection devices. In August 2021, another District employee contacted SJCOE to share similar concerns. In February 2022, SJCOE and the Financial Crisis Management Assistance Team ("FCMAT") entered into an agreement for FCMAT to conduct an AB 139 extraordinary audit of the District to determine if fraud, misappropriation of funds, or other illegal fiscal practices may have occurred.

On February 14, 2023, FCMAT released its audit, which found that the District lacks strong internal controls and identified deficiencies including i) poor ethical tone set by management and the Board, ii) executive management and Board override of established internal control activities and iii) departures from Board policy. Additionally, FCMAT found that while the District has Board policies and bylaws in compliance with applicable conflict of interest laws, many of the conflict of interest forms completed by District Board members and administrators in the last three years were incomplete. Additionally, the District does not have a process to identify possible conflicts of interest with its vendors. For these reasons, FCMAT concluded that there was sufficient evidence to demonstrate that fraud, misappropriation of funds and/or assets, or other illegal fiscal practices may have occurred in the specific areas reviewed by FCMAT.

FCMAT recommended that SJCOE inform the District, the State Controller, the State Superintendent, and the District Attorney that sufficient evidence exists to indicate illegal fiscal practices. Completion of the audit concluded SCJOE's review. See "-Grand Jury Reports, DA Investigation and Other Investigations" below for information regarding pending investigations by authorities relating, *inter alia*, to the IAQ contract.

Audit Findings. The District's independent audit for fiscal year 2021-22 contained findings of Material Weakness in Internal Control over Financial Reporting and Federal Compliance. The Material Weakness in Federal Compliance relates to the IAQ Distribution, Inc. contract discussed in the FCMAT AB 139 audit above which was funded with federal COVID-19 relief funds. The District did not follow applicable written internal control procedures for bidding and Board approval for certain equipment and real property expenditures using federal COVID-19 relief funding.

The District's independent audit for fiscal year 2021-22 also contained findings of Deficiency in State Compliance in several areas. See "APPENDIX B- audited FINANCIAL STATEMENT FOR STOCKTON UNIFIED SSCHOOL DISTRICT FOR DISCAL YEAR ENDED JUNE 30, 2022" hereto for more information regarding the auditor's findings.

The District has moved funding for the IAQ Distribution, Inc. contract to the General Fund in order to correct any improper procurement practices that may have occurred in entering into that contract using federal COVID-19 relief funds and is undertaking to correct the other audit findings.

Conditional Approval of Fiscal Year 2022-23 Budget

On August 15, 2022, SJCOE conditionally approved the District's 2022-23 budget because (i) the LCFF expenditures in the LCAP exceeded LCFF resources in the budget and (ii) the District did not provide a statement of reasons to substantiate the need for reserves in excess of the minimum required by State law. As a result of the conditional approval, SJCOE required the District to adjust its LCAP for fiscal year 2022-23 budget such that expenditures were in alignment with revenues, to hold a public hearing on the budget and to provide a statement substantiating the need for an assigned and unassigned ending fund balance in excess of the minimum required reserves by State law.

Subsequently, the District identified an inadvertent error in its fiscal year 2022-23 LCAP, which when corrected re-aligned the LCFF resources such that LCAP expenditures did not exceed LCFF resources. On September 27, 2022, the District held the required public hearing and provided the required statements to substantiate a need for reserves at a level in excess of statutory minimums.

Lack of Going Concern Declaration and Fiscal Health Risk Analysis

On October 20, 2022, SJCOE declared the District a lack of going concern in accordance with Education Code section 42127.6. The SJCOE based its determination on several factors, including: (i) unreliable budget development, with the District's fiscal year 2022-23 adopted budget having been conditionally approved, (ii) insufficient budget monitoring and updates, (iii) inadequate cash management, (iv) mismanaged collective bargaining agreements, (v) continuing deficit spending, (vi) inattention to enrollment and attendance reporting, (vii) ineffective internal controls and fraud prevention, (viii) breakdown in leadership and communication, and (ix) other related areas of concern. Among the actions required by the SJCOE as a result of the lack of going concern designation was assignment of i) a fiscal expert to advise the District on its financial problems and ii) a fiscal health risk analysis to be conducted by FCMAT.

FCMAT Fiscal Health Risk Analysis. In February, 2023, the District entered into an agreement with FCMAT for FCMAT to conduct a fiscal health risk analysis and determine the risk rating of the District. On August 23, 2023, FCMAT delivered its fiscal health risk analysis (the "Fiscal Health Risk Analysis") which recommended that the District take immediate action to avoid further erosion of the District's solvency. In the Fiscal Health Risk Analysis, FCMAT identified several signs of fiscal weakness and risk of insolvency for the District, including: (i) unstable District leadership, with many positions held by interim or acting managers, (ii) a lack of established, documented processes and procedures to ensure accurate and consistent financial reporting and multiyear projections, (iii) limited consultation with department leaders and educational partners during budget development, (iv) a lack of regular and effective budget monitoring across all departments, (v) the absence of timely reconciliations of cash and bank accounts, and a lack of cashflow projections beyond the current fiscal year, (vi) an inability to effectively budget and monitor positions because of ongoing reconciliation of all position control data, (vii) declining enrollment and the resulting decline in student attendance, which are the most significant drivers of District revenues, and (viii) insufficient or inaccurate analysis of proposed collective bargaining agreements.

FCMAT reviewed twenty fiscal indicator sections in its analysis, noting that districts that respond "No" to several fiscal indicator questions across the twenty sections may have cause for concern and could require some level of fiscal intervention. The Fiscal Health Risk Analysis concluded that the District's fiscal insolvency risk level is high, with more than 48% of the fiscal indicator questions answered in the negative.

For further information on FCMAT's review of and conclusions regarding the District's financial condition, investors are directed to read the full version of the Fiscal Health Risk Analysis, which is publicly available on FCMAT's website at the following address: http://www.fcmat.org/. The information referred to was prepared by FCMAT and not by the District, and the District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by reference.

CDE Notification of "High-Risk" Status.

By letter dated October 5, 2023, the California Department of Education ("CDE") notified the District that it had been placed on "High Risk" status as a result of certain compliance concerns raised in the FCMAT audit, certain findings in the District's 2021-22 annual independent audit, issues raised by SJCOE related to the District's 2023-24 budget and the lack of going concern designation by SJCOE for fiscal years 2022-23 and 2023-24.

CDE placed eight (8) specific conditions on the District in order for the High Risk designation to be removed. A summary of each condition together with the status of the District's actions to date to meet each condition follow.

Condition 1. The District must work with CDE and SJCOE and must resolve all remaining findings and corrective actions included within the audit reports and related letters from CDE and SJCOE.

The District is currently working with SJCOE to resolve all remaining findings and corrective actions included within the audit reports and related letters from CDE and SJCOE.

Condition 2. SJCOE must remove its lack of going concern determination of the District.

The District is working with SJCOE to address the lack of going concern designation, but certain indicators of fiscal insolvency risk remain per SJCOE as of September 15, 2023. See "-Lack of Going Concern Declaration and Fiscal Health Risk Analysis- SJCOE Renewal of Lack of Going Concern Designation" herein below.

Condition 3. The District must hire a permanent and qualified chief business officer.

District human resources officers are actively working to hire a permanent and qualified chief business officer currently, but no assurances can be made as to when such position will be filled.

Condition 4. The District must submit an annual independent audit to CDE without material findings.

The District's next annual independent audit is due to CDE by December 15, 2023, at which time any findings will be known.

Condition 5. The District must cooperate with any additional federal or state oversight or monitoring, including fiscal monitoring, which will be conducted annually until it can demonstrate two consecutive reviews without material findings.

On-site fiscal monitoring is currently scheduled in April, 2024 for fiscal year 2023-24 and will also be scheduled during fiscal year 2024-25.

Condition 6. The District must meet all required State and federal reporting requirements, including quarterly and annual federal stimulus reporting.

The District currently undertakes required State and federal reporting requirements, including quarterly and annual federal stimulus reporting.

Condition 7. CDE reserves the right to take any other enforcement actions consistent with federal and State laws and regulations, including any of the remedies for noncompliance.

No action is required by the District except for compliance with such other enforcement actions, if any.

Approval of Fiscal Year 2023-24 budget

Per a letter dated September 15, 2023, SJCOE approved the District's fiscal year 2023-24 budget and fiscal year 2023-24 LCAP.

SJCOE Renewal of Lack of Going Concern Designation. Contemporaneously with approval of the District's fiscal year 2023-24 budget, SJCOE renewed its identification of the District as a "lack of going concern," citing a lack of established, documented processes and procedures to ensure accurate and consistent financial reporting and multiyear projections, a lack of regular and effective budget monitoring across all departments, and an absence of timely reconciliation of cash and bank accounts.

In furtherance of the deficiencies necessitating renewal of the lack of going concern designation, SCJOE (i) continued to provide the services of a fiscal expert, (ii) required that by October 31, 2023, the District complete past due cash reconciliations, provide certain information related to its collective bargaining agreements, and resolve its 2021-22 audit findings and (iii) by December 15, 2023, eliminate vacant, unfunded positions and incorporate a plan for spending ESSER funds into its budget and multi-year projections. The District is endeavoring to undertake the requested actions by the deadlines and continues to work with SCJOE.

The District intends to request that its independent auditor complete a self-assessment of the District in January 2024 in order to monitor progress since completion of the FCMAT Fiscal Health Risk Analysis, as suggested by FCMAT.

Grand Jury Reports, DA Investigation and other Investigations

In June 2021, the San Joaquin County Grand Jury ("Grand Jury") released a report on the District with findings indicating: (i) a disregard of policies and procedures, especially regarding hiring; (ii) inappropriate behavior of Board members, especially during meetings; (iii) Board member disregard of their appropriate roles; (iv) inappropriate complaints, especially by Board members against other members; and (v) deficiency in transparency, making it difficult for the public to understand what is taking place.

In June 2022, the Grand Jury released another report on the District with findings indicating (i) poor business practices, (ii) inadequate duty of care by District administration and the Board, and (iii) lack of transparency to the public and Board, potentially risking the District's solvency. The report also highlighted a potential $30 million deficit in future fiscal years should the District not make adjustments to its budget and operational practices.

On April 24, 2023, the County District Attorney (the "DA") announced that it will be initiating an independent investigation into the District in light of the 2021 and 2022 Grand Jury reports and the FCMAT audit. On November 14, 2023, the DA announced that the County Sheriff's Office, in conjunction with the DA, and as part of its ongoing investigation into the District, executed a search warrant at a private residence and portions of the District Office. The District can make no assurances regarding the outcome of the District Attorney's investigation or any subsequent prosecutions. Additionally, the District cannot make any assurances that other investigations will not be initiated by other law enforcement authorities as a result of the DA's investigation or for any other reason.

Unconfirmed media reports also describe investigations by certain federal authorities including the Federal Bureau of Investigation and the Department of Justice but the District makes no representation as to the accuracy of such statements or the existence of such investigations.

The Bonds described herein are general obligations of the District payable solely from ad valorem property taxes. The Bonds are not payable from the General Fund of the District. The Board of Supervisors of the County is empowered and obligated to annually levy ad valorem property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. When collected, the *ad valorem* property taxes levied to pay the Bonds will be deposited to the applicable Debt Service Fund of the District held by the County prior to transfer to the Paying Agent to pay the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

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, 2022, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 56 South Lincoln Street, Stockton, California 95203. See APPENDIX B hereto for the 2021-22 Audited Financial Statements of the District.

The table on the following page reflects the District's budgeted and audited General Fund revenues, expenditures, and fund balances for fiscal years 2018-19 through 2021-22 and the adopted budget and current projections for fiscal year 2022-23, per the estimated actual financial results and the adopted 2023-24 budget.

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STOCKTON UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING

	Adopted Budget 2018-19[1]	Audited Actuals 2018-19[1,2]	Adopted Budget 2019-20[1]	Audited Actuals 2019-20[1,2]	Adopted Budget 2020-21[1]	Audited Actuals 2020-21[1,2]	Adopted Budget 2021-22[1]	Audited Actuals 2021-22[1,2]	Adopted Budget 2022-23	Unaudited Actuals 2022-23	Adopted Budget 2023-24
REVENUES											
LCFF	$366,539,388	$366,140,351	$373,587,298	$374,664,525	$343,887,125	$376,498,617	$396,264,285	$412,774,005	$406,736,697	$458,659,255	$478,645,030
Federal Sources	30,172,673	41,657,549	33,043,946	38,231,887	32,227,143	86,798,042[3]	219,419,167[3]	59,644,445	273,848,767[3]	104,737,758	224,252,368
Other State Sources	63,229,565	81,263,285	53,748,587	75,436,228	65,419,748	84,324,142	107,100,563[3]	115,611,611[3]	174,594,620[3]	165,028,796	119,426,206
Other Local Sources	5,777,979	10,538,687	6,173,766	10,339,599	5,815,107	12,219,103	5,239,746	18,598,086	7,350,472	18,093,490	8,930,729
Total Revenues	465,719,605	499,599,872	466,553,597	498,732,239	447,349,123	559,839,904	728,023,761	606,628,147	862,530,556	716,519,299	831,254,333
EXPENDITURES											
Certificated Salaries	187,175,400	191,860,388	200,895,280	195,934,330	199,989,281	207,251,619	198,433,305	207,722,725	221,863,805	225,413,350	232,498,876
Classified Salaries	72,124,685	74,287,612	82,075,182	82,730,882	87,345,187	85,905,688	86,001,455	89,429,447	93,418,802	93,339,259	107,173,230
Employee Benefits	135,152,375	148,924,591	151,641,683	155,776,826	157,747,394	154,404,149	163,774,113	162,428,363	175,380,268	176,988,214	196,538,650
Books & Supplies	37,083,081	42,426,386	24,667,025	19,064,103	19,594,701	38,495,217	247,721,081[3]	28,495,515	173,286,859[3]	29,034,924	210,202,240[4]
Services & Other Operating Expenses	39,540,719	54,194,740	41,995,588	49,799,592	42,472,935	40,596,183	47,492,612	55,870,286	63,976,057	64,772,196	79,401,791
Capital Outlay	5,583,642	1,299,835	475,991	1,208,696	193,304	5,281,414	350,464	3,348,120	123,891,362	2,026,448	81,110,859
Other Outgo	712,478	897,354	830,213	1,161,127	--	1,338,462	1,145,605	994,325	1,166,353	1,012,591	1,070,938
Direct Support/Indirect Costs	--	--	--	--	--	--	(2,275,079)	--	(1,553,457)	(1,548,330)	(1,503,801)
Total Expenditures	477,372,380	513,887,906	502,580,962	505,675,556	507,342,802	533,272,732	742,643,555	548,288,781	851,430,049	591,038,652	906,490,784
Excess (Deficiency) of Revenues Over Expenditures	(11,652,775)	(14,288,034)	(36,027,365)	(6,943,317)	59,993,679	26,567,172	(14,619,794)	58,339,366	11,100,507	155,480,647	(75,236,451)
Other Financing Sources (Uses)											
Interfund Transfers In	1,544,350	2,129,970	1,717,955	34,420,970	1,392,390	1,226,489	--	875,371	--	440,670	--
Interfund Transfers Out	(12,392,334)	(1,063,297)	(500,000)	(2,043,838)	(500,000)	(814,265)	(500,000)	--	(500,000)	(55,033,731)	(19,138,720)
Net Financing Sources (Uses)	309,939,016	1,066,673	1,217,955	32,377,132	892,390	412,224	(500,000)	875,371	(500,000)	(54,593,060)[5]	(19,138,720)
NET CHANGE IN FUND BALANCES	298,286,241	(13,221,361)	(34,809,410)	25,433,815	(59,101,289)	26,979,396	(15,119,794)	59,214,737	10,600,507	100,887,587	(94,375,171)
Fund Balances, July 1	125,296,016	125,296,016	112,074,655	112,074,655	137,508,470	137,508,470	150,904,940	164,487,866	162,515,766	223,702,603	257,605,630
Fund Balances, June 30	$423,582,257	$112,074,655	$ 77,265,245	$137,508,470	$ 78,407,181	$164,487,866	$135,785,146	$223,702,603	$173,116,272	$324,590,190	$163,230,459

(1) From the District's comprehensive audited financial statements for fiscal years 2018-19 through 2021-22, respectively.
(2) Only includes the General Fund and does not tie to the amounts shown in the Audited Statement of Revenues, Expenditures and Fund Balances under Audited Financial Statements of the District as that table also includes the Deferred Maintenance Fund and the Special Reserve for Postemployment Benefits.
(3) A portion of Federal and State revenues received by the District represents one-time COVID-19 relief funding.
(4) Includes approximately $150 million of one-time COVID-19 relief funding that has been allocated to fund 43 for accounting purposes but will be re-allocated among actual object codes once eligible expenditures have been identified.
(5) Comprises transfers of $44,850,635 to the Special Reserve Fund for Other than Capital Outlaw Projects (representing a 7% Board-approved additional reserve), $7,000,000 to the Special Reserve Fund for Capital Outlay Projects, $2,290,401 to the Child Development Fund, $579,906 to the Charter Schools Special Revenue Fund and $500,000 to the Capital Facilities Fund.

Source: *The District.*

Comparative Financial Statements

The following table reflects the District's audited General Fund revenues, expenditures and fund balances from fiscal year 2018-19 to fiscal year 2021-22:

STOCKTON UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2018-19 through 2021-22

	2018-19 Audit	2019-20 Audit	2020-21 Audit	2021-22 Audit
REVENUES				
LCFF	$366,140,351	$374,664,525	$376,498,617	$412,774,005
Federal Sources	41,657,549	38,231,887	86,798,042	59,644,445
Other State Sources	81,263,285	75,436,228	84,324,142	115,611,611
Other Local Sources	10,538,687	10,339,599	12,219,103	18,598,086
Total Revenues	499,599,872	498,732,239	559,839,904	606,628,147
EXPENDITURES				
Certificated Salaries	191,860,388	195,934,330	207,251,619	207,722,725
Classified Salaries	74,287,612	82,730,882	85,905,688	89,429,447
Employee Benefits	148,924,591	155,776,826	154,404,149	162,428,363
Books & Supplies	42,426,386	19,064,103	38,495,217	28,495,515
Services & Other Operating Expenses	54,194,740	49,799,592	40,596,183	55,870,286
Capital Outlay	1,299,835	1,208,696	5,281,414	3,348,120
Intergovernmental Transfers	--	--	--	--
Other Outgo	897,354	1,161,127	1,338,462	994,325
Direct Support/Indirect Costs	--	--	--	--
Total Expenditures	513,887,906	505,675,556	533,272,732	548,288,781
Excess (Deficiency) of Revenues Over Expenditures	(14,288,034)	(6,943,317)	26,567,172	58,339,366
Other Financing Sources (Uses)				
Interfund Transfers In	2,129,970	34,420,970	1,226,489	875,371
Interfund Transfers Out	(1,063,297)	(2,043,838)	(814,265)	--
Net Financing Sources (Uses)	1,066,673	32,377,132	412,224	875,371
NET CHANGE IN FUND BALANCES	(13,221,361)	25,433,815	26,979,396	875,371
Fund Balances, July 1	125,296,016	112,074,655	137,508,470	164,487,866
Fund Balances, June 30	$112,074,655	$137,508,470	$164,487,866	$223,702,603

Source*: The District*.

Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

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 guaranty the accuracy or completeness of this information and has not independently verified such information.

2022-23 State Budget. Governor Newsom signed legislation which enacted the budget for the State for fiscal year 2022-23 (the "2022-23 State Budget") on June 30, 2022. The 2022-23 State Budget projected approximately $219.7 billion in General Fund revenues with a prior year balance of $22.5 billion for total resources of $242.2 billion, and $234.4 billion in expenditures for fiscal year 2022-23. For fiscal year 2021-22, the 2022-23 State Budget estimated $265.4 billion in resources and $242.9 billion in expenditures. The 2022-23 State Budget projected $37.2 billion in reserves including $23.3 billion in the Budget Stabilization Account (the "BSA") for fiscal emergencies, $900 million in the Safety Net Reserve, $9.5 billion in the Public School Stabilization Account (the "PSSSA"), and an estimated $3.5 billion in the State's operating reserve. For Fiscal Year 2022-23, the BSA was at its constitutional maximum (10% of general fund revenues) requiring $465 million to be dedicated for infrastructure investments in fiscal year 2022-23. Over the multi-year forecast period, the 2022-23 State Budget reflected $8 billion in supplemental deposits split evenly between the BSA and the Safety Net Reserve. As a result of the deposits to the PSSSA, the 10% cap on school district reserves was projected to be applicable in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2" herein for more information regarding school district reserves.

The 2022-23 State Budget prioritized one-time spending over ongoing spending, allocating 93% of discretionary funds to one-time spending. The 2022-23 State Budget provided an over $17 billion broad-based relief package, including a refund of up to $1,050 to benefit millions of Californians based on income level and the size of household. The relief package also included increased grants for the State's lowest income families and individuals, and additional funding for food banks.

The 2022-23 State Budget also addressed environmental matters facing California. The 2022-23 State Budget included $1.2 billion to advance wildfire prevention and forest resilience investments and funded an additional 1,265 new positions to expand the State's wildfire response capacity. $1.2 billion was included for immediate drought support, with an additional $1.5 billion deferred for allocation for long-term water resilience. The 2022-23 State Budget also allocated $4.3 billion to provide energy reliability through the development of a strategic reserve, protection to ratepayers, and accelerated deployment of clean energy projects, with an additional $3.8 billion deferred for allocation in the summer of 2022 to further reliability and affordability and accelerate the State's clean energy future.

With respect to K-12 education, the 2022-23 State Budget included total funding of $128.6 billion ($78.6 billion General Fund and $50 billion other funds) for all K-12 education programs. The 2022-23 State Budget estimated Proposition 98 funds of $96.1 billion in fiscal year 2020-21, $110.2 billion in fiscal year 2021-22, and $110.4 billion in fiscal year 2022-23 for K-14 education programs. For K-12 schools, the result was Proposition 98 per pupil spending of $16,993 in 2022-23, a $3,017 increase over the fiscal year 2021-22 per pupil spending levels. Additionally, in the same period, per pupil spending from all sources increased to $22,893 under the 2022-23 State Budget.

The 2022-23 State Budget included an LCFF COLA of 6.56%. Additionally, the 2022-23 State Budget included $4.32 billion ongoing Proposition 98 funds to increase LCFF base funding by an additional 6.28%. The 2022-23 State Budget also included $101.2 million ongoing Proposition 98 funds to augment LCFF funding for county offices of education.

To support school districts with a declining student population, the 2022-23 State Budget provided that school districts might use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enabled school districts that can demonstrate they provided independent study offerings during fiscal year 2021-22 to be funded at the greater of their current year ADA or their current year enrollment adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year. The 2022-23 State Budget included $2.8 billion of ongoing funding under Proposition 98 and $413 million in one-time funding under Proposition 98 to implement these school fiscal stabilization policies.

Additional significant provisions of the 2022-23 State Budget relating to K-12 education included the following:

- *Learning Recovery Emergency Fund* – $7.9 billion in one-time Proposition 98 funds to support learning recovery initiatives through the 2027–28 school year.

- *Arts, Music, and Instructional Materials Discretionary Block Grant* – $3.6 billion one-time Proposition 98 funds for arts and music programs, standards-aligned professional development, instructional materials, developing diverse book collections, operational costs, and expenses related to the COVID-19 Pandemic.

- *Expanded Community School Model* – $1.1 billion in Proposition 98 funds to expand the community school model and provide grants for high needs schools in communities with high levels of poverty.

- *Educator Workforce* – $48.1 million for training and retention of well-prepared educators including waiving certain teacher examination fees, grants for integrated teacher preparation programs and operations support for the Commission on Teacher Credentialing.

- *Teacher and School Counsel Residencies* – $250 million one-time Proposition 98 funds to expand residency slots for teachers and school counselors and eligibility for the Golden State Teacher Grant Program.

- *Educator Support for Science, Technology, Engineering, and Mathematics (STEM) Instruction* – $85 million one-time Proposition 98 funds for the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.

- *State Preschool* – $312.7 million in Proposition 98 funds and $172.3 million in other funds to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health, $250 million one-time Proposition 98 funds to support the Inclusive Early Education Expansion Program, $300 million one-time Proposition 98 funds for planning and implementation grants, $166.2 million Proposition 98 funds to support the full-year costs of State preschool rate increases and $148.7 million one-time funds to maintain reimbursement rate increases.

- *Transitional Kindergarten* – $614 million in Proposition 98 funds for the first year of expanded eligibility for transitional kindergarten and $383 million Proposition 98 funds to add one additional staff person to every transitional kindergarten class.

- *Expanded Learning Opportunities Program* – $3 billion Proposition 98 funds to accelerate expanded-day, full-year instruction and enrichment focused on school districts with the highest concentrations of low-income students, English language learners, and youth in foster care.

- *Community Engagement Initiative* – $100 million in Proposition 98 funds to further positive relationship building between school districts and local communities.

- *Special Education* – $500 million in Proposition 98 funds for the special education funding formula, amending the special education funding formula to calculate special education base funding allocations at the local educational agency level, and consolidating the special education extraordinary cost pools into a single cost pool to simplify the current funding formula.

- *College and Career Pathways* – $500 million in Proposition 98 funds to support the development of pathway programs focused on technology, health care, education, and climate-related fields and $200 million in Proposition 98 funds to strengthen and expand student access and participation in dual enrollment opportunities.

- *Home-to-School Transportation* – $637 million in Proposition 98 funds to reimburse school districts for up to 60% of their transportation costs in the prior year.

- *Zero Emission School Buses* – $1.5 billion in Proposition 98 general funds for greening school bus fleets.

- *Nutrition* – $596 million in Proposition 98 funds for universal subsidized school meals, $611.8 million in Proposition 98 funds to augment the state meal reimbursement rate, $600 million in Proposition 98 funds for school kitchen infrastructure upgrades and equipment, food service employee training, and compensation related to serving fresh, minimally processed California-grown foods, and $100 million in Proposition 98 funds for procurement practices for plant-based, restricted diet meals, California-grown or California-produced, sustainably grown, or whole or minimally processed foods, or to prepare meals fresh onsite.

- *K-12 School Facilities* – Approximately $1.4 billion in Proposition 51 funds for school construction projects as well as $1.3 billion in fiscal year 2021-22, $2.1 billion in fiscal year 2023-24 and $875 million in fiscal year 2024-25 for new construction and modernization projects, and $100 million in fiscal year 2021-22 and $550 million in fiscal year 2023-24 for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

2023-24 State Budget. The fiscal year 2023-24 budget for the State ("2023-24 State Budget") was passed by the State Legislature on June 15, 2023. On June 28, 2023, the Governor signed Senate Bill 101, the State Budget Act of 2023, and on July 10, 2023, the Governor signed additional trailer bills, including Senate Bill 114 and Senate Bill 115, forming the complete substantive agreement of the 2023-24 State Budget. The 2023-24 State Budget, for the first time in several years, foresees a downturn in revenues and addresses an approximate $31.7 billion budget shortfall. A balanced budget is accomplished through spending reductions and pullbacks of previously planned spending, delays in spending, fund shifts, alternative revenues and borrowing and a withdrawal from the Safety Net Reserve.

The 2023-24 State Budget projects approximately $208.7 billion in General Fund revenues with a prior year balance of $26.4 billion for total resources of $235 billion, and $225.9 billion in expenditures for fiscal year 2023-24. For fiscal year 2022-23, the 2023-24 State Budget estimated $260.9 billion in resources and $234.6 billion in expenditures. The 2023-24 State Budget projects a historic level of reserves, setting aside a total of $37.8 billion including $22.3 billion in the BSA for fiscal emergencies, $900 million in the Safety Net Reserve, $10.8 billion in the PSSSA, and an estimated $3.8 billion in the State's Special Fund for Economic Uncertainties. The $9.9 billion balance in the PSSSA in fiscal year 2022-23 will trigger the 10% cap on school district reserves beginning in fiscal year 2023-24. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICTS – Proposition 2" herein for more information regarding school district reserves.

The 2023-24 State Budget provides total K-12 funding of $129.2 billion ($79.5 General Fund and $49.7 billion from other funds). The projected decrease in State revenues under the 2023-24 State Budget lowers the Proposition 98 guarantee to $110.6 billion in fiscal year 2021-22, $107.4 billion in fiscal year 2022-23 and $108.3 billion in fiscal year 2023-24.

The LCFF under the 2023-24 State Budget receives a COLA of 8.22%, the largest COLA since the implementation of the LCFF. The 2023-24 State Budget includes $300 million ongoing Proposition 98 funds to establish an equity multiplier as an add-on to the LCFF to augment resources for the highest-need schools in the State.

Additional significant provisions of the 2023-24 State Budget relating to K-12 education include the following:

- *Literacy* – $250 million one-time Proposition 98 funds to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches and reading specialists. Requires screening of students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year and provides $1 million to convene a panel to create a list of approved screening instruments.

- *State Pre-School* – (1) $343.1 million Proposition 98 funds and $20,000 non-Proposition 98 funds from the 2022-23 fiscal year, (2) $369.3 million Proposition 98 funds and $126.1 million General Fund from the 2023-24 fiscal year, and (3) $445.7 million Proposition 98 funds and $186.5 million General Fund from the 2024-25 fiscal year. Suspends the annual COLA applicable to the State Preschool Program in fiscal years 2023-24 and 2024-25. Revises the family fee schedule for the State Preschool Program beginning October 1, 2023, to: (1) limit family fees to one percent of a family's monthly income, and (2) prohibit the assessment of a fee for families with an adjusted monthly income below 75% of the state median income. Authorizes State Preschool Program family fee debt that accrued but remained uncollected prior to October 1, 2023 to be forgiven.

- *Educator Workforce* – $10 million one-time Proposition 98 funds for grants to provide culturally relevant support and mentorship for educators to become school administrators.

- *Transitional Kindergarten* – $357 million ongoing Proposition 98 funds to support the first year of expanded eligibility for TK and $283 million Proposition 98 funds to support the first year of adding one additional certificated or classified staff person to every TK class, $597 million ongoing Proposition 98 funds to support the second year (2023-24 school year) of expanded eligibility for transitional kindergarten and $165 million Proposition 98 funds to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class.

- *Arts, Music, and Instructional Materials Discretionary Block Grant* – Decreases one-time Proposition 98 fund for the grant by $200 million, reducing total one-time program support from approximately $3.5 billion to approximately $3.3 billion. The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) will provide approximately $938 million ongoing Proposition 98 General Fund beginning in fiscal year 2023-24.

- *Learning Recovery Emergency Block Grant* – Delays approximately $1.1 billion one-time Proposition 98 funds for the Learning Recovery Emergency Block Grant to fiscal years 2025-26, 2026-27, and 2027-28.

- *Zero-Emission School Buses* – Delays $1 billion one-time Proposition 98 funds to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to fiscal years 2024-25 and 2025-26.

- *California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program* – Delays planned fiscal year 2023-24 $550 million investment to fiscal year 2024-25.

- *School Facility Program* – Approximately $2 billion one-time General Fund to support the School Facility Program in fiscal year 2023-24.

- *Nutrition* – Additional $154 million ongoing Proposition 98 funds and an additional $110 million one-time Proposition 98 funds to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.

- *Bipartisan Safer Communities Act, Stronger Connections Program* – $119.6 million one-time federal funds to support LEA activities related to improving school climate and safety through the Stronger Connections Program.

- *Charter School Facility Grant Program* – one-time investment of $30 million Proposition 98 funds to support eligible facilities costs, consistent with the 2022-23 State Budget.

- *Bilingual Teacher Professional Development Program* – $20 million one-time Proposition 98 funds, to be available through fiscal year 2028-29 fiscal year.

- *Commercial Dishwasher Grants* – $15 million one-time Proposition 98 funds to support grants to acquire and install commercial dishwashers.

- *Restorative Justice Practices* – $7 million one-time Proposition 98 funds to provide support for local educational agencies opting to implement certain restorative justice best practices.

- *Golden State Teacher Grant Program* – $6 million one-time federal funds to support grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at a high-need school site.

- *K-12 High Speed Network* – $3.8 million ongoing Proposition 98 funds to support the K-12 High Speed Network program.

- *Reversing Opioid Overdoses* – $3.5 million ongoing Proposition 98 funds for all middle schools, high schools, and adult school sites to maintain at least two doses of naloxone hydrochloride or another medication to reverse an opioid overdose on campus for emergency aid.

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. No prediction can be made as to whether the State will, in the future, take further measures which would, in turn, adversely affect the District. Further State actions taken to address any budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions. See also "DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact" for a discussion of COVID-19 and its impact on the State economy.

The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot 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.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution ("Article XIIIA") limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the County assessor. Article XIIIA 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 XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. 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 outstanding general obligation bonds of the District, including the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds 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 XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of principal of and interest on the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

Property Tax Base Transfer Constitutional Amendment. On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment. Proposition 19: (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District. Since fiscal year 2020-21, assessed valuation within the District has increased. See "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

Legislation Implementing Article XIIIA

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of 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 XIIIA.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA 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% 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% 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% 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 XIIIA 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% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% 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 State Board of Equalization ("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 County 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.

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

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), 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 XIIIB defines

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

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance 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 XIIIB, as amended.

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service, including debt service on 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 XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC 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 XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. Proposition 26 does not apply to the levy of a*d valorem* taxes to pay general obligations bonds, including the Bonds.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87, or (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 changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts, and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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.

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

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

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (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 expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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 (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under

Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendment 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), when assessed valuation is projected to increase in accordance with Article XIIIA 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.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (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 transportation funds and General Fund and, 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 expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its revenue limit apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 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 temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases were 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 were and will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative ("Proposition 55") which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales tax increases imposed under Proposition 30 which expired at the end of 2016.

Proposition 51

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

K-12 School Facilities. Proposition 51 includes $3 billion for the construction of new 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 districts lack 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 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 representation that it will either pursue or qualify for Proposition 51 State facilities funding.

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 ("Proposition 2"), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of General Fund revenues into the Budget Stabilization Account ("BSA"). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or General Fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the State Legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 Public School System Stabilization Account (the "PSSSA") which serves as a reserve account for school funding in years when the State budget is smaller.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the State's Public School System Stabilization Account ("PSSSA"). In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES—Proposition 98"), a school district's adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures *–2023-24 State Budget*" for information regarding the triggering of the reserve cap in fiscal year 2023-24.

Reserve for Economic Uncertainty. The District is statutorily required to maintain a reserve for economic uncertainties at least equal to 2% of general fund expenditures and other financing uses (the "Minimum Reserve"). However, on September 28, 2021, the Board revised existing Board policies to establish and maintain a reserve for economic uncertainties equal to no less than 10% of General Fund expenditures to begin in fiscal year 2022-23 or when the current budget deficit is eliminated. For the fiscal year ended June 30, 2022, the District's reserve was 8.0% of the total expenditures, with available reserves of $43,793,073, $10,948,265 of which was designated as available for economic uncertainties. The District's adopted fiscal year 2023-24 Budget includes a reserve for economic uncertainties of $27,768,885 or 3.0% of General Fund expenditures.

Proposition 28. On November 8, 2022, voters approved The Arts and Music in Schools Funding Guarantee and Accountability Act which provides additional funding for arts and music education in all K–12 public schools (including charter schools) by annually allocating from the State general fund an amount equal to 1% of total State and local revenues received by public schools in the preceding fiscal year under Proposition 98. Amounts provided under Proposition 28 are in addition to and not considered a part of the Proposition 98 guarantee. Funds appropriated under Proposition 28 are to be allocated 70% based on a school district's share of Statewide enrollment and 30% based on such school district's share of Statewide enrollment of economically disadvantaged students and must be distributed to school sites following such allocation. School districts must expend funds received pursuant to Proposition 28 within three years or such funds revert to CDE for reallocation under Proposition 28.

As a condition to receipt of funds under Proposition 28, school districts must certify that funds are to be used for arts education and that funds received in the prior fiscal year were, in fact, used for those purposes. Additionally, no more than 1% of Proposition 28 funds may be used for administrative purposes in implementing Proposition 28 programs. Schools with 500 or more students must certify that at least 80% of the funding is to be used to employ teachers and that the remainder will be spent on training, supplies, and education partnerships. Amounts appropriated under Proposition 28 in a given year may be reduced if the State Legislature suspends the Proposition 98 guarantee but only in an amount equal to the percent reduction of the Proposition 98 guarantee. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures – 2023-24 State Budget" for information regarding Proposition 28 in the 2023-24 State Budget.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 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, particularly revenues from the State or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

STOCKTON UNIFIED SCHOOL DISTRICT

Introduction

The District was established in 1936 in the County, located in California's Central Valley. The boundaries of the District encompass an area of approximately 55 square miles. The District is located approximately 58 miles south of Sacramento, the capitol of the state of California (the "State"), 78 miles east of the San Francisco Bay Area, and 337 miles north of Los Angeles. The District operates fifty-four schools, comprised of forty-one K-8 schools (including one K-5 school and one charter school), eleven high schools (including three specialty high schools and four specialty charter high schools), one K-12 special education school, and one adult education school. The District also maintains an independent study program and a child development program. The budgeted ADA for the District for fiscal year 2023-24 is 31,312 students and the District has a 2023-24 total assessed valuation of $17,950,946,935. The audited financial statements for the District for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX B.

Board of Education

The District is governed by a Board of Education ("Board"). The Board consists of seven members who are elected by trustee area to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

Name	Office	Trustee Area	Term Expires December
AngelAnn Flores	President	2	2026
Kennetha Stevens	Vice President	7	2026
Sofia Colón	Clerk	6	2026
Donald Donaire	Member	5	2026
Cecilia Mendez	Member	1	2024
Alicia Rico	Member	3	2024
Ray Zulueta	Member	4	2024

Key Personnel

The following is a listing of the key administrative personnel of the District and a brief biography of the Superintendent follows. The District has experienced significant changes in administrators in recent years. See "INTRODUCTION – Significant Changes in District Leadership" herein.

The following is a listing of the key administrative personnel of the District.

Name	Title
Michelle Rodriguez, Ed.D.	Superintendent of Schools
Susana Ramirez	Assistant Superintendent, Student Support Services
Kasey Klappenback	Assistant Superintendent of Educational Services
Glendaly Gascot-Rios	Assistant Superintendent of Human Resources
Joann Juarez	Interim Chief Business Officer

Michelle Rodriguez, Ed.D. – ***Superintendent of Schools***. Dr. Rodriguez has served as the Superintendent of Schools for the District since July 1, 2023. Prior to her position with the District, Dr. Rodriguez served for seven years as the Superintendent at Pajaro Valley Joint Unified School District. Dr. Rodriguez earned a Bachelor of Arts in Liberal Studies and Spanish from California State University, Chico, in 1993 and her Doctorate in Education Psychology from University of Southern California in 2012. Dr. Rodriguez is also credentialed in Teaching and Administration and completed the School Business Management Certificate Program at University of Southern California.

Employees and Labor Relations

The District employs approximately 2,454 full-time equivalent ("FTE") certificated academic professionals, approximately 2,020 FTE classified employees and approximately 233 FTE management and confidential positions.

The District has eight recognized bargaining units which represent its non-management employees. The largest of these, the Stockton Unified School District Teachers' Association, represents the members of the District's certificated teaching staff. Other bargaining units include the Stockton Pupil Personnel Association, representing the District's psychologists and counselors; the California School Employees' Association, representing the District's classified personnel; the California School Employees' Association, representing the District's paraprofessionals; the California School Employees Association, representing the District transportation workers; the Operating Engineers Union, representing the District police unit; the Stockton Unified Supervisor's Union, representing the non-teaching supervisors of the District; and the United Stockton Administrators, representing principals and other administrators.

The following table shows the District's bargaining units, number of employees, and contract status:

STOCKTON UNIFIED SCHOOL DISTRICT
Bargaining Units, Number of Employees, and Contract Status

Certificated	Number of Employees	Status[1]
Stockton Teachers' Association	1,923	Expired June 30, 2022. New contract is currently in negotiation.
United Stockton Administrators	115	Expired June 30, 2022. New contract is currently in negotiation.
Stockton Pupil Personnel Association	268	Expired June 30, 2022. New contract is currently in negotiation.
Classified		
California School Employees' Association, Chapter 821	1,273	Contract settled for Fiscal Year 2022-23
California School Employees' Association, Chapter 318 (Paraprofessionals)	689	Contract settled for Fiscal Year 2022-23
Operating Engineers Local No. 3 (Police Unit)	26	Expired June 30, 2022. New contract is currently in negotiation.
Stockton Unified Supervisor's Union	24	Contract settled for Fiscal Year 2022-23
California School Employees Association, Chapter 885 (Transportation Department Bus Drivers)	95	Contract settled for Fiscal Year 2022-23

Source*: The District.*
[1] By operation of law, the parties continue to operate under an expired labor contract until a new contract is negotiated.

District Retirement Systems

The information set forth below regarding the District's retirement 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. Benefit provisions and employer contributions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. For fiscal year 2023-24, the District is currently required by such statutes to contribute 19.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.328% of teacher payroll for fiscal year 2023-24. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, over the three year period from 2014-15 through 2017-

18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 by June 30, 2046, which is premised upon an actuarially assumed earnings rate of 7.00%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to AB 1469, school districts' employer contribution rates increased over a seven-year phase-in period beginning in fiscal year 2014-15 through fiscal year 2019-20 when employer contribution rates reached 16.15% (including certain reductions in the contribution rate for supplemental payments made by the State in fiscal years 2019-20 and 2020-21.)

Subsequent to the increases to the school district's contribution rates to STRS, AB 1469 requires that for fiscal year 2021-22 and each fiscal year thereafter, STRS adjust the school district's contribution rate to reflect the rate required to eliminate the unfunded liability by July 1, 2046. The 2020-21 State Budget applied certain funds in fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school districts' then current obligations to STRS to reduce the school district's contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-22 from 17.9% to 16.02%.

The District contributed to STRS $32,746,531 for fiscal year 2018-19, $35,276,179 for fiscal year 2019-20, $34,065,925 for fiscal year 2020-21, and $35,456,891 for fiscal year 2021-22. Such contributions were equal to 100% of the required contributions for the respective years. The District estimates a contribution to STRS of $58,603,077 for fiscal year 2022-23 (based on unaudited actual results) and has budgeted a contribution to STRS of $59,467,218 for fiscal year 2023-24. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

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, with the Public Employees' Retirement Law. The District is currently required to contribute to PERS at an actuarially determined rate, which is 26.68% of eligible salary expenditures for fiscal year 2023-24, while participants enrolled in PERS (prior to January 1, 2013) contribute 7% of their respective salaries, and those enrolled subsequent to January 1, 2013 contribute 8.00%. See –"California Public Employees' Pension Reform Act of 2013" below.

On April 19, 2017, the Board of Administration of PERS ("PERS Board") adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the PERS Board in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to an additional 5% of payroll for miscellaneous employees at the end of the five-year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board. See "DISTRICT FINANCIAL INFORMATION- State Funding of Education" herein.

On April 18, 2022, the PERS Board set the fiscal year 2022-23 employer contribution rate at 25.37%. The PERS Board also approved an increase in the employee contribution rate for members subject to the Reform Act (defined below) from 7.00% of earnings to 8.00% of earnings for fiscal year 2022-23. From the Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which is PERS' first negative return on investments since fiscal year 2008-09. The negative 7.5% net return on investments is less than the assumed annual rate of return on investments of 6.80%. Most recently, on April 17, 2023, the PERS Board set the fiscal year 2023-24 employer contribution rate at 26.68% and maintained the employee contribution rate for members subject to the Reform Act (defined below) at 8.00%.

PERS estimates future employer contribution rates as follows:

Fiscal Year	Projected Employer Contribution Rates (PERS Actuarial Report)
2024-25	27.70%
2025-26	28.30
2026-27	28.70
2027-28	30.00
2028-29	29.80

The projected rates reflect the preliminary investment loss for fiscal year 2021-22 described above. Projected rates also reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers.

The District contributed to PERS $13,949,345 for fiscal year 2018-19, $17,031,685 for fiscal year 2019-20, $18,383,274 for fiscal year 2020-21, and $20,230,248 for fiscal year 2021-22, which amounts equaled 100% of required contributions to PERS. The District estimates a contribution to PERS of $22,396,105 for fiscal year 2022-23 (based on unaudited actual results) and has budgeted a contribution to PERS of $31,475,830 for fiscal year 2023-24.

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 PERS and STRS as of July 1, 2022.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation
(Dollar Amounts in Millions) [(1)]

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$ 116,982	$ 79,8736	$ (37,596)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	346,089	283,340	(80,803)

(1) Amounts may not add due to rounding.
Source*: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.*

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See " – California Public Employees' Pension Reform Act of 2013" below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. 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 Employee's 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 to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. 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 (currently 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 and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB 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.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2022, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	$147,036,000
PERS	122,430,000
Total	$269,466,000

Source*: The District.*

For further information about the District's contributions to STRS and PERS, see Notes 9 and 10 in the District's audited financial statements for fiscal year ended June 30, 2022 attached hereto as APPENDIX B.

School districts' retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current or future financial market losses and/or volatility might impact the value of investments held by either STRS or PERS to fund retirement benefits or whether the District's contribution rates to STRS or PERS might increase in the future as a result of factors outside of its control including, but not limited to, any declines in the value of investments in response to financial market conditions and the impact of retirees living longer than actuarial assumptions.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement

No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which the District implemented in fiscal year 2017-18.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units. On June 30, 2022, 653 inactive employees were receiving Health & Welfare Benefits with 3,086 active employees earning service credit towards eligibility.

The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2022.

Total OPEB Plan Fiduciary Liability
Fiscal Year Ended June 30, 2022

Balance at July 1, 2021	$145,017,095
Service Cost	10,521,252
Interest	3,210,076
Benefit payments	(3,326,191)
Experience (Gains)/Losses	(3,408,344)
Change in assumptions	(23,632,073)
Net Change in Total OPEB Liability	(16,635,280)
Balance at June 30, 2022	$128,381,815

Source: *The District*.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

The District participates in two joint powers authorities ("JPAs"); Schools Association for Excess Risk ("SAFER") and Northern California Regional Liability Excess Fund ("NCReLiEF"). SAFER and NCReLiEF provide property and liability insurance coverage. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs. The relationships between the District and MSIA is such that MSIA is not a component unit of the District for financial reporting purposes. See also APPENDIX B –STOCKTON UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2022 – Note 11 hereto.

Cyber Security

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers recently approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks. The District is not aware of any major cybersecurity attack or breach of its systems during the last five years. To protect itself from cybersecurity attacks, the District utilizes firewalls, anti-virus and anti-malware software, and provides cybersecurity training to District employees. In addition, the District has an informal general technology use policy. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains a policy of cyber liability insurance. There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

District Debt Structure

Long-Term Debt. A schedule of the District's changes in long-term debt for the year ended June 30, 2022 is shown below:

STOCKTON UNIFIED SCHOOL DISTRICT
Long-Term Debt
Fiscal year ended June 30, 2022

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
General obligation bonds	$ 411,837,363	$ 98,000,000	$ 30,250,000	$479,587,363	$16,830,000
Premium	28,590,908	14,484,509	2,645,356	40,430,061	2,666,242
Accreted Interest	43,937,294	4,920,592	--	48,857,886	--
Certificates of Participation	26,780,000	--	1,280,000	25,500,000	1,340,000
Premium	4,287,485	--	199,815	4,087,670	209,656
Net pension liability	521,966,000	--	252,500,000	269,466,000	--
OPEB	145,017,095	--	16,635,280	128,381,815	--
Compensated absences	2,167,616	3,582	--	2,171,198	--
Total	$1,184,583,761	$117,408,683	$303,510,451	$998,481,993	$21,045,898

Source: *The District*.

General Obligation Bonds.

2008 Authorization. The District received authorization on November 4, 2008 to issue $464,500,000 aggregate principal amount of obligation bonds (the "2008 Authorization"). Pursuant to the 2008 Authorization, the District issued its (i) $65,000,000 Election of 2008, Series A Bonds (the "Series A Bonds"); (ii) $16,040,000 Election of 2008, Series B Bonds, Qualified School Construction Bonds (Tax Credit Bonds) (the "Series B Bonds"); (iii) $14,930,000 Election of 2008, Series C Bonds, Qualified School Construction Bonds (Federally Taxable Direct Subsidy Bonds) (the "Series C Bonds");

and (iv) $56,146,497 of its Election of 2008, Series D Bonds (the “Series D Bonds”). As a result of the cancellation of the remaining 2008 Authorization pursuant to the “GO Reauthorization Bonds” issued under the 2012 Authorization and the 2018 Authorization, no further general obligation bonds remain for issuance under the 2008 Authorization.

2012 Authorization. The District received authorization on November 6, 2012, from the qualified electors of the District for the “reauthorization” of $156,000,000 of the District's 2008 Authorization for the issuance of new general obligation bonds in a principal amount not to exceed $156,000,000 (the “2012 Authorization”). From the 2012 Authorization, the District issued its $65,000,000 Election of 2012, Series A Bonds (the “Election of 2012, Series A Bonds”), $30,000,000 Election of 2012, Series B Bonds (the “Election of 2012, Series B Bonds”), and $61,000,000 Election of 2012, Series C Bonds (the “Election of 2012, Series C Bonds”). The District cancelled an equivalent amount of the 2008 Authorization as the par amount of the Election of 2012, Series A Bonds and the Election of 2012, Series B Bonds.

No further general obligation bonds remain for issuance under the 2012 Authorization.

2014 Authorization. The District received authorization on November 4, 2014, from the qualified electors of the District to issue $114,000,000 aggregate principal amount of general obligation bonds (the “2014 Authorization”). Pursuant to the 2014 Authorization, the District issued its $8,600,000 General Obligation Bonds Election of 2014, Series A (Ed-Tech Bonds®) (the “2015 Series A Bonds”) and its $9,760,000 General Obligation Bonds Election of 2014, Series B (Ed-Tech Bonds®) (the “2018 Series B Bonds”) pursuant to the 2014 Authorization, all of which have matured. The 2014 Series C Bonds are proposed to be issued pursuant to the 2014 Authorization. Subsequent to the issuance of the 2014 Series C Bonds, $95,640,000* will remain for issuance under the 2014 Authorization.

2018 Authorization. The District received authorization on June 5, 2018, from the qualified electors of the District for the “reauthorization” of $156,380,000 of the District’s 2008 Authorization for the issuance of new general obligation bonds in a principal amount not to exceed $156,380,000 (the “2018 Authorization”). Pursuant to the 2018 Authorization, the District issued its $30,000,000 General Obligation Bonds, Election of 2018 Series A (GO Reauthorization Bonds®) and its $98,000,000 General Obligation Bonds, Election of 2018 Series B (GO Reauthorization Bonds®). The 2018 Series C Bonds are the third and final series of bonds to be issued under the 2018 Authorization. The District cancelled an equivalent amount of the 2008 Authorization as the par amount of the Election of 2018, Series A Bonds and the Election of 2018, Series B Bonds.

2022 Authorization. The District received authorization on November 8, 2022, from the qualified electors of the District to issue $215,000,000 aggregate principal amount of general obligation bonds (the “2022 Authorization”), all of which remains for issuance.

Refunding Bonds. Additionally, the District issued its $14,175,000 2011 General Obligation Refunding Bonds (the “Series 2011 Refunding Bonds”) and its $43,570,000 2012 General Obligation Refunding Bonds (the “Series 2012 Refunding Bonds”) to refund certain outstanding general obligation bonds issued pursuant to a general obligation bond authorization approved by the qualified electors of the District in 2000. The District also issued its $35,620,000 Series 2014A General Obligation Refunding Bonds (the “Series 2014 A Refunding Bonds”) to refund a portion of the outstanding Series D Bonds. Finally, the District issued its $128,285,000 2016 General Obligation Refunding Bonds (the “2016 Refunding Bonds”) to refund certain outstanding general obligation bonds issued under a general obligation bond authorization approved by the qualified electors of the District in 2005 as well as the

* Preliminary; subject to change.

Series A Bonds. Issuance of general obligation bonds to refund other general obligation bonds does not count against the principal amount of bonds authorized by voters at an election.

SAN JOAQUIN COUNTY INVESTMENT POOL

The following information concerning the San Joaquin County Pooled Investment Fund has been provided by the Treasurer and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

Under California law, the District is required to pay all monies received from any source, including the proceeds of the New Money Bonds, into the San Joaquin County Treasury to be held on behalf of the District. Additionally, the *ad valorem* property taxes collected for payment of principal of and interest on the Bonds shall be deposited to the applicable Debt Service Fund of the District held by the County and invested in the County Treasury prior to being transferred to the Paying Agent for payment of the Bonds.

The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Pooled Investment Fund are made by the Treasurer and her deputies in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, *et seq*., which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant. For a description of the permitted investments under the investment policy of the County and recent investment performance of the San Joaquin County Pooled Investment Fund, see APPENDIX E hereto.

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SAN JOAQUIN COUNTY
POOLED INVESTMENT FUND
MONTHLY PORTFOLIO REPORT AS OF SEPTEMBER 30, 2023

Currency		$ 106,972.96
Summary of Investments:		
Sweep Account	$ 2,376,112.13	
Bank Deposits	115,000,000.00	
Joint Powers Authority Programs	880,000,000.00	
Local Agency Investment Fund	1,000,000.00	
Commercial Paper	385,781,998.62	
Medium Term Notes	9,598,600.00	
Supranationals	114,752,842.36	
U.S. Treasury	221,214,418.08	
Federal Agencies	3,326,994,470.77	
Total Investments		5,056,718,441.96
Bank Balance		
Closing Ledger Balance		21,510,847.61
Transactions Pending		12,783,009.41
Total Treasury Balance		$5,091,119,271.94

Source*: San Joaquin County Treasury.*

The District has not made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current County Investment Policy. The value of the various investments in the Pooled Investment Fund 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, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pooled Investment Fund will not vary significantly from the values described therein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 9 months following the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2023-24 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District will enter into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Within the last five years, the District filed its unaudited financial statements for fiscal years 2018-19, 2019-20, 2020-21 and 2021-22 in a timely manner in place of its audited financial statements which were not available by the filing deadline but such audited financial statements were filed once available. The District also failed to timely file certain operating data for fiscal year 2021-22 and file notice of a successor paying agent.

The District has engaged Dale Scott & Company to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, a form of which is attached hereto as APPENDIX A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as counsel to the Underwriter. The above professionals will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed forms of which are attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial 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.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolutions and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in APPENDIX E – "SAN JOAQUIN COUNTY INVESTMENT POLICY STATEMENT" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligations bonds issued after January 1, 2017, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds.

TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, (2) will not be included in computing alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals, and (3) will be taken into account in determining adjusted financial statement income for the alternative minimum tax imposed on certain corporations. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change. The form of Bond Counsel's anticipated opinion respecting the Bonds are included in APPENDIX A.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds

The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder's basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under "TAX MATTERS." Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the “Premium Bonds”), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as APPENDIX A.

LEGALITY FOR INVESTMENT

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

RATING

The District has applied to Moody’s Investors Service (“Moody’s”) for a municipal bond rating on the Bonds. Once issued, such rating reflects only the views of Moody’s and an explanation of the significance of such rating may be obtained as follows: Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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.

ESCROW VERIFICATION

The sufficiency of amounts on deposit in the Escrow Fund to pay the redemption price of the Refunded Bonds will be verified by Causey, Demgen & Moore, certified public accountants (the

"Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Series A Refunding Bonds.

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

UNDERWRITING

Loop Capital Markets LLC, as underwriter (the "Underwriter"), has agreed to purchase the 2014 Series C Bonds at the purchase price of $____ (reflecting the principal amount of the 2014 Series C Bonds plus an original issue premium in the amount of $____, less an Underwriter's discount of $______), at the rates and yields shown on the inside cover pages hereof.

The Underwriter has also agreed to purchase the 2018 Series C Bonds at the purchase price of $____ (reflecting the principal amount of the 2018 Series C Bonds plus an original issue premium in the amount of $____, less an Underwriter's discount of $______), at the rates and yields shown on the inside cover pages hereof.

The Underwriter has also agreed to purchase the Series A Refunding Bonds at the purchase price of $____ (reflecting the principal amount of the Series A Refunding Bonds plus an original issue premium in the amount of $____, less an Underwriter's discount of $______), at the rates and yields shown on the inside cover pages hereof.

The Underwriter has also agreed to purchase the Tender Refunding Bonds at the purchase price of $____ (reflecting the principal amount of the Tender Refunding Bonds plus an original issue premium in the amount of $____, less an Underwriter's discount of $______), at the rates and yields shown on the inside cover pages hereof.

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

NO LITIGATION

Absence of Pending or Threatened Litigation Relating to the Bonds. No litigation is pending or threatened, nor is any audit or investigation known to be premised on any assertion, concerning or contesting the validity of the Bonds, or contesting the District's ability to issue and retire the Bonds. The District is not aware of any litigation pending or threatened, nor is any audit or investigation known to be premised on any assertion, questioning the political existence of the District or contesting the title to the offices of District officers who will execute the Bonds or District officials who will sign certifications relating to the Bonds, or the powers of those officers. A certificate (or certificates) to that effect will be furnished to the Underwriter (defined herein) at the time of the original delivery of the Bonds.

Absence of Material Litigation. The District is subject to lawsuits and claims that arise in the regular course of operating as a public school district. In the opinion of the District, the aggregate amount of uninsured liabilities of the District under existing lawsuits and claims will not materially affect the financial position or operations of the District. The District has a risk management program pursuant to which it obtains insurance policies to minimize its potential exposures and liabilities. For more information on its insurance coverage, see "DISTRICT FINANCIAL INFORMATION - Risk Management." The District cannot predict what claims or lawsuits may arise in the future.

Investigations, Audits and Related Matters. Potential investors should be aware that there are several confirmed and unconfirmed investigations pending (see "DISTRICT FINANCIAL INFORMATION - Grand Jury Reports, DA Investigation and Other Investigations") and that developments related thereto, as well as potential future news stories, could impact the secondary market prices and liquidity of the Bonds. For information regarding audits, investigations, recommendations and other matters, see "DISTRICT FINANCIAL INFORMATION" herein.

General Obligation Bonds Secured by Ad Valorem Property Taxes. Notwithstanding claims and liabilities that have or may arise in the District, the Bonds described herein are payable solely from the proceeds of voter-approved *ad valorem* property taxes required to be levied by the County in an amount sufficient for the payment thereof.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. A Copy of the Resolution is available upon request from the Stockton Unified School District, 56 South Lincoln Street, Stockton, California 95203.

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

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

STOCKTON UNIFIED SCHOOL DISTRICT

By: ____
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Education
Stockton Unified School District
56 South Lincoln Street
Stockton, California 95203

FINAL OPINION: $_________ Stockton Unified School District (San Joaquin County, California) General Obligation Bonds, 2014 Election, 2023 Series C (Ed-Tech Bonds®);
$_________ Stockton Unified School District (San Joaquin County, California) General Obligation Bonds, 2018 Election, Series C (GO Reauthorization Bonds®);
$_________ Stockton Unified School District (San Joaquin County, California) 2023 General Obligation Refunding Bonds, Series A; and
$_________ Stockton Unified School District (San Joaquin County, California) 2023 General Obligation Refunding Bonds, Series B

Members of the Board:

We have acted as bond counsel for the Stockton Unified School District (San Joaquin County, California) (the "District"), in connection with the issuance by the District of $_________ Stockton Unified School District (San Joaquin County, California) General Obligation Bonds, 2014 Election, 2023 Series A (Ed-Tech Bonds®) (the "2014 Series C Bonds"), $_________ Stockton Unified School District (San Joaquin County, California) General Obligation Bonds, 2018 Election, Series C (GO Reauthorization Bonds®) (the "2018 Series C Bonds," and together with the 2014 Series C Bonds, the "New Money Bonds"), $_____ aggregate principal amount of the District's 2023 General Obligation Refunding Bonds, Series A (the "Series A Refunding Bonds"), and $_____ aggregate principal amount of the District's 2023 General Obligation Refunding Bonds, Series B (the "Tender Refunding Bonds" and together with the Series A Refunding Bonds, the "Refunding Bonds"). The New Money Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended, and, with respect to the 2014 Series C Bonds, that certain resolution adopted by the Board of Education of the District on October 24, 2023 (the "2014 Series C Resolution") and with respect to the 2018 Series C Bonds, that certain resolution adopted by the Board of Education on November 14, 2023 (the "2018 Series C Resolution"). The Refunding Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), as amended, and that certain resolution adopted by the Board of Education of the District on October 24, 2023 (the "Refunding Resolution" and together with the 2014 Series C Resolution and the 2018 Series C Resolution, the "Resolutions"). The New Money Bonds and the Refunding Bonds are collectively referred to herein as the "Bonds". All terms used herein and not otherwise defined shall have the meanings given to them in the Resolutions, as applicable to a series of Bonds.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolutions.

Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County of San Joaquin as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on the Bonds if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after 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 with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District, payable as to 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.

2. The Resolutions have been duly adopted and each of the Resolutions constitutes a valid and binding obligation of the District enforceable against the District in accordance with its respective terms.

3. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

4. Interest on the Bonds is exempt from personal income taxes of the State of California.

Bondholders should note that interest on the Bonds is not a preference item for purposes of the alternative minimum tax imposed on individuals but is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. Ownership of tax-exempt obligations such as the Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner's other items of income or deduction. We express no other opinion with respect to the tax status of the Bonds or any federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

Dannis Woliver Kelley

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APPENDIX B

STOCKTON UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2022

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STOCKTON UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2022

STOCKTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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STOCKTON UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
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For the Year Ended June 30, 2022
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Stockton Unified School District
Stockton, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stockton Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Stockton Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Stockton Unified School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 16 and the General Fund Budgetary Comparison Schedule, Charter School Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 61 to 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stockton Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the 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 March 15, 2023 on our consideration of Stockton Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stockton Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stockton Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
March 15, 2023

Management's Discussion and Analysis

An overview of the Stockton Unified School District's financial activities for the fiscal year ended June 30, 2022, is presented in this discussion and analysis of the District's financial position and performance.

This Management Discussion and Analysis should be read in conjunction with the District's financial statements, including notes and supplementary information, which immediately follow this section.

Financial Highlights

- At June 30, 2022, the total net position of the District was $136.2 million, an increase of $96.5 million from the prior year.
- Total government-wide revenue for the 2022 fiscal year was $710 million. Expenditures totaled $614 million. The difference of $96.5 million accounts for the increase to the District's total net position.
- Capital assets, net of depreciation, increased by $61.3 million during the year. This includes the completion of a number of projects previously in the Construction in Progress account.
- At June 30, long-term debt totaled $1.02 billion.

Overview of the Financial Statements

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

- The first two statements are *government-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 government-wide statements.

The fund financial statements can be further broken down into three types:

- *Governmental funds statements*, which tell how basic services, such as regular and special education, were financed in the short-term, as well as what remains for future spending.
- *Proprietary funds statements*, offering short and long-term financial information about the activities the District operates like a business, such as the self-insurance fund.
- *Fiduciary funds statements*, providing information about the financial relationships in which the District acts solely as trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the fiscal year.

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

Major Features of the Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: self-insurance and retiree benefits.	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Change in Fund Balances	Statement of Net Position – Proprietary Fund Statement of Change in Net Position – Proprietary Fund Statement of Cash Flows – Proprietary Fund	Statement of Fiduciary Net Position Statement of Change in Fiduciary Net Position
Accounting basis and measurement focus	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
Type of asset/liability information	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 financial and capital, and short-term and long-term	All assets and liabilities both short-term and long-term; Standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during the 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 year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the 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 government-wide statements report the change to the District's net position. Net position, the difference between the District's assets and liabilities, is one way to measure financial health. Over time, increases or decreases to the net position indicate whether the District's financial condition is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition of the District's school buildings and other facilities.

In the government-wide financial statements, the District's activities are reported as Governmental activities. Most of the District's services are included here, such as regular and special education, transportation, and administration. Funding received from the State of California through the Local Control Funding Formula (LCFF), along with special funding received from the federal and state governments, finance most of these activities. The LCFF will be discussed more fully later in this report.

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 or to show that certain revenues have been properly used.

There are three types of funds that the District utilizes:

- *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 in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
    - *Internal Service funds* are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the self-insurance fund.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and 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. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance operations.

Financial Analysis of the District as a Whole

The computation of District net position at June 30, 2022 and 2021 is presented by category in the table below:

	Government-Wide Activities		Year Over
	2022	2021	Year Change
Assets			
Cash and investments	$ 615,594,928.00	$ 379,742,202.00	$ 235,852,726.00
Receivables	63,127,626.00	80,852,630.00	$ (17,725,004.00)
Prepaid expenses		3,689,264.00	$ (3,689,264.00)
Stores inventory	1,047,481.00	1,867,733.00	$ (820,252.00)
Non-depreciable capital assets	154,927,473.00	137,679,869.00	$ 17,247,604.00
Capital assets, net of depreciation	613,487,576.00	569,428,949.00	$ 44,058,627.00
Total Assets	1,448,185,084.00	1,173,260,647.00	$ 274,924,437.00
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	120,507,139	160,449,199	(39,942,060.00)
Deferred outflows of resources - OPEB	8,080,544	8,990,644	(910,100.00)
Deferred loss from refunding of debt	20,615,123	22,036,908	(1,421,785.00)
Total Deferred Outflows	149,202,806	191,476,751	(42,273,945.00)
Liabilities			
Accounts payable	139,197,345	46,126,642	93,070,703.00
Other current liabilities	44,866,163	25,193,275	19,672,888.00
Long-term liabilities	1,018,597,993	1,205,253,761	(186,655,768.00)
Total Liabilities	1,202,661,501	1,276,573,678	(73,912,177.00)
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	224,319,000	37,856,000	186,463,000.00
Deferred inflows of resources - OPEB	34,186,484	10,577,454	23,609,030.00
Total Deferred Inflows	258,505,484	48,433,454	210,072,030.00
Net Position			
Net investment in captial assets	354,599,669	330,292,745	24,306,924
Restricted	207,372,236	173,186,934	34,185,302
Unrestricted	(425,751,000)	(463,749,413)	37,998,413
Total net position	$ 136,220,905	$ 39,730,266	$ 96,490,639

Total assets and deferred outflows increased by a net $232.7 million during the 2022 fiscal year. Of this total, cash and receivables increased by a net $218.1 million and total capital assets increased by a net $61.3 million. Deferred outflows of resources decreased by a net $42 million. Capital assets are discussed in more detail later in this Management Discussion and Analysis report.

Total liabilities and deferred inflows of resources increased by $136.2 million. Of this amount, accounts payable and other current liabilities increased by $112.7 million, while long-term debt decreased by $186.7 million. Deferred inflows increased by $210.0 million. Long-term debt is discussed in detail in a later section of this report.

The net increase to assets and deferred outflows of $232.7 million, reduced by the increase of $136.2 million to liabilities and deferred inflows, results in an increase to the District's net position at June 30, 2022 of approximately $96.5 million.

A summary of total District revenues, expenses, and change in net position is presented in the table below.

	Government-Wide Activities		Year Over
	2022	2021	Year Change
Revenues - Program			
Charges for Services	$ 5,427,311	$ 3,911,125	$ 1,516,186
Operating Grants and Contributions	220,427,499	244,957,014	(24,529,515)
Capital Grants and Contributions	-	-	-
Revenues - General			
Unrestricted Federal and State Aid	363,942,441	347,646,712	16,295,729
Taxes Levied for General Purposes	75,733,057	66,164,832	9,568,225
Taxes Levied for Debt Service	34,937,040	37,612,136	(2,675,096)
Taxes Levied for Other Specific Purposes	2,661,702	2,397,695	264,007
Interest and Investment Earnings	829,404	1,214,524	(385,120)
Other General Revenues	6,180,578	2,203,889	3,976,689
Total revenues	710,139,032	706,107,927	4,031,105
Expenses			
Instruction	404,000,899	450,894,526	(46,893,627)
Pupil and Instructional Services	95,594,251	97,306,582	(1,712,331)
General Administration	17,721,405	17,692,775	28,630
Plant Services	69,587,866	64,888,186	4,699,680
Ancilliary Serv., Enterprise Activ., Other	1,963,692	1,953,123	10,569
Outgo, and Interest on Long-Term Liab.	24,780,280	30,236,864	(5,456,584)
Total Expenses	613,648,393	662,972,056	(49,323,663)
Increase in Net Position	96,490,639	43,135,871	53,354,768
Net Position, July 1	39,730,266	(3,405,605)	43,135,871
Net Position, June 30	$ 136,220,905	$ 39,730,266	$ 96,490,639

For the 2021-22 fiscal year, total District revenues were $710.1 million. Total District expenses were $613.7 million. The difference, $96.5 million, is an increase to net position at June 30, 2022.

A main source of revenue for the District is the State Aid portion of the Local Control Funding Formula, which is included in the Unrestricted Federal and State Aid total. These funds are based on Average Daily Attendance (ADA), the fractional proportion of the number of days a student attends school to the number of days the student is enrolled. Supplemental and Concentration grants, based on the percentage of English learners, free and reduced meal eligible students, and foster students, are also available through the LCFF.

Enrollment in Grades K-12, not including the District's dependent charter schools, showed a slight increase during the 2021-22 year when compared with the prior school year. Enrollment at the end of the second school month was 34,024 students, an increase of 81 students from the 2020-2021 year.

Average Daily Attendance (ADA) also showed a decrease during the 2021-22 year. The ADA for the Second Principal Apportionment (P-2) period totaled 31,549.73 a decrease of 1,304.74 ADA from the prior fiscal year. The District is continuing to work to improve student attendance.

Financial Analysis of the District's Funds

At June 30, 2022 the District had twelve governmental funds reporting a combined fund balance of $435.2 million, an increase of $94.5 million over the prior year. Of these funds, eight had revenues which exceeded expenditures, and the remaining funds showed expenditures exceeding revenues. The following table details the fund balances of the individual governmental funds.

Governmental Funds – Fund Balance

Governmental Funds - Fund Balance	Fund Balance - June 30, 2022	Fund Balance - June 30, 2021	Year Over Year Change
General Fund	$ 223,702,603	$ 164,487,866	$ 59,214,737
Student Activity Fund	1,543,758	842,363	$ 701,395
Charter Schools Special Revenue Fund	30,270,518	28,984,235	$ 1,286,283
Adult Education Fund	635,426	1,017,992	$ (382,566)
Child Development Fund	816,606	468,079	$ 348,527
Cafeteria Special Revenue Fund	12,070,452	8,419,278	$ 3,651,174
Deferred Maintenance fund	764,016	764,016	$ -
Building Fund	115,174,591	72,642,775	$ 42,531,816
Capital Facilities Fund	8,956,586	6,483,443	$ 2,473,143
Special Reserve for Capital Outlay Projects	5,625,307	8,635,315	$ (3,010,008)
Bond Interest and Redemption Fund	18,732,021	32,170,033	$ (13,438,012)
Debt Service Fund	16,918,710	15,838,416	$ 1,080,294
Totals	$ 435,210,594	$ 340,753,811	$ 94,456,783

General Fund – Revenue and Expenditure Analysis

The table below displays unaudited actual General Fund revenue by major category for fiscal year 2022, along with the increase or decrease from fiscal year 2021 and breakdowns by percentage. The table does not include transfers in and other financing sources.

	General Fund			
	FY-2022 Actual	Percent Of Total	Increase (Decrease) from FY-2021	Percent Increase or (Decrease)
Revenues:				
LCFF Sources	$412,774,005	68.0%	$36,275,388	8.79%
Federal Revenue	59,644,445	9.8%	-27,153,597	-45.53%
Other State Revenue	115,611,611	19.1%	31,287,469	27.06%
Other Local Revenue	18,598,086	3.1%	6,378,983	34.30%
Total Revenues	$606,628,147	100.00%	$46,788,243	7.71%

Expenditures for the General Fund are reflected in the following table by major expenditure category. The table does not include Transfers Out and Other Financing Uses.

	General Fund					
		FY-2022 Actual	Percent Of Total		Increase (Decrease) from FY-2021	Percent Increase or (Decrease)
Expenditures:						
Certificated Salaries	$	207,722,725	37.89%	$	471,106	0.09%
Classified Salaries		89,429,447	16.31%		3,523,759	0.64%
Employee Benefits		162,428,363	29.62%		8,024,214	1.46%
Books and Supplies		28,495,515	5.20%		(9,999,702)	-1.82%
Services, Other Operating Expenses		55,870,286	10.19%		15,274,103	2.79%
Capital Outlay		3,348,120	0.61%		(1,933,294)	-0.35%
Other Outgo/Dir. Supp./ Indirect Costs		994,325	0.18%		(344,137)	-0.06%
Total Expenditures	$	548,288,781	100.00%	$	15,016,049	

General Fund - Budgetary Highlights

The District's 2022 General Fund operating budget was adopted by the Governing Board in June of 2021. As adopted, budgeted revenues totaled $728 million and budgeted expenditures totaled $733.8 million. This resulted in a structural deficit of $5.8 million. District reserves of $10.9 million were able to absorb the budgeted deficit.

Several formal revisions were made to the budget during the year. These revisions fell into three main categories:

- Increases to both estimated income and appropriations due to the receipt of new grant awards or donations.
- The budgeting of carryover balances from prior years. It is District policy to not budget expenditure totals carried over from a prior year until after the unaudited actual balances for that year have been calculated.
- Increases in appropriations to prevent budget overruns.

Capital assets and outstanding debt at June 30, 2022 are analyzed on the next pages.

Capital Asset and Debt Administration

Capital Assets at Year-End (Net of Depreciation)

	Government-Wide Activities	
	2022	2021
Land	$ 36,080,997	$ 36,080,997
Improvement of Sites	13,627,994	8,772,224
Buildings	590,128,114	550,363,377
Equipment	9,731,468	10,293,348
Construction in Progress	118,846,476	101,598,872
Totals	$ 768,415,049	$ 707,108,818

The table above reflects capital assets, net of depreciation, at June 30, 2022 and 2021. The District uses an asset capitalization threshold of $50,000, except where federal funds are used to purchase the asset and then the capitalization threshold is $5,000. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives. Depreciation expense on completed assets totaled $16.7 million for the 2021-22 fiscal year. The amount shown for Construction in Progress represents expenditures for projects currently in the construction phase. Depreciation is not taken on these assets until a project is completed.

Capital assets, net of depreciation, increased by $61 million during the year. At the end of the 2021-22-year, total funds expended on projects in the construction phase totaled $118.8 million.

Further information regarding capital assets can be found in note 4 to the financial statements.

Outstanding Debt at Year-End

	Government-Wide Activities	
	2022	2021
General Obligation Bonds, including Premiums	$ 520,017,424	$ 440,428,271
Accreted Interest	48,857,886	43,937,294
Certificates of Participation, including Premiums	29,587,670	31,067,485
Net Pension Liability	269,466,000	521,966,000
Total OPEB Liability	128,381,815	145,017,095
Compensated Absences	2,171,198	2,167,616
Total	$ 998,481,993	$ 1,184,583,761

At June 30, 2022, long-term debt was $998.4 million. This represents a decrease of $186 million from the prior year.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and dates for future debt retirement.

Economic Factors and Next Year's Budgets and Rates

The 2022-23 Stockton Unified School District budget has been developed with all components of the proposal presented by Governor Gavin Newsom in January of 2022 and any applicable May Revise and Adopted Budget adjustments.

In January of 2022, Governor Newsom's proposed State budget reflected the strong national and state economies which were in place. The budget called for a 3.84% compounded Cost of Living Adjustment (COLA), which equated to a proposed $2 billion increase to the Local Control Funding Formula (LCFF). During Governor budget May revision, compounded COLA was expected to increase from 3.84% to 4.05% compounded COLA and "Mega Cola" of 5.07% in Fiscal Year 2021- 2022.

Item	Governor's Budget	May Revision
LCFF Funding Increase	$ 2 Billion	$3.2 Billion
2021- 22 Statutory COLA	1.50%	1.70%
2021- 22 Compounded COLA	3.84%	4.05%*
2021- 22 LCFF "Mega" COLA	N/A	5.07%

*Only the special education and community college funding formulas will receive the compound COLA

Item	Governor's Budget	May Revision
LCFF Funding Increase	$3.3 Billion	$6.1 Billion
2022-23 Statutory COLA	5.33%	6.56%
One-Time Discretionary Funds	$0	$8 Billion

At the state level, the education funding plan centers on the Local Control Funding Formula. Base grants, allocated on grade spans for all students, and supplemental and concentration grants targeted to specific student groups, provide the main source of state revenue. Funding under the LCFF is designed to allow more flexibility for school leaders to determine, with input from parents and other local stakeholders, how the state funding will be used to improve student achievement and better assure that a student will graduate from high school and be college and career ready.

Besides providing more local control and local accountability, the LCFF emphasizes equity and provides additional funding for targeted disadvantaged students: English learners, students eligible to receive a free or reduced-price meal, or foster youth. Districts with these student groups receive a supplemental grant equal to 20 percent of the base grant for each eligible student, and a concentration grant equal to 50 percent of the base grant for targeted students exceeding 55 percent of a school district's total student enrollment.

Included as part of the LCFF is a requirement for school districts to develop, adopt, and then update on an annual basis a three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California Board of Education. The LCAP is required to identify annual goals, specific actions, and measure student progress across eight performance areas, including student academic achievement, school climate, student access to a broad curriculum, and parent engagement. Parent and public input is required in developing, revising, and updating the LCAP. The academic priorities of the LCAP must be aligned to the district's spending plan found in the annual budget. The District met with parents and the public, school personnel and bargaining units, and local civic leaders to develop the LCAP. After many meetings and several public hearings, the Governing Board adopted the District's LCAP in June of 2022.

An important consideration when preparing a budget, whether for the State of California or for a local school district, is the unstable nature of state revenues because of reliance on the top one percent of taxpayers, a group that is not growing, and on sales and income taxes for the marginal dollar, not the less volatile property tax. Add to that the possibility of an economic downturn, where the question is not if it will happen, but when. All of this points to the need for careful budgeting and management of available funds. For Stockton Unified, the assessment of present needs, balanced against the uncertainty of future revenue streams, will be imperative as the District plans the educational programs for our students.

The annual state appropriation provided to increase LCFF funding is the sole determinant of changes in school district LCFF revenues. The statutory COLA of 5.33 % has been funded and no additional revenue will be available for school districts for LCFF purposes.

The tables below show LCFF funding by grade span.

LCFF - Base Grant Entitlements – Target Funding

As designed, school districts receive a base grant allocation calculated by grade span: K-3, 4-6, 7-8, and 9-12.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2021-22 Base Grant per ADA	$ 8,093	$ 8,215	$ 8,458	$ 9,802
Statutory COLA of 6.56%	$ 531	$ 539	$ 555	$ 643
2022-23 Base Grants	$ 8,890	$ 9,024	$ 9,291	$ 10,767

LCFF – K-3 CSR Adjustments – Target Funding

In addition to the base grant, school districts receive adjustments for class size reduction by grade span (GSA) at grades K-3 and grades 9-12. These adjustments are percentages of the base grant amounts, as shown in the following table.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2022-23 Base Grant per ADA	$ 8,890	$ 9,024	$ 9,291	$ 10,767
Adjustment Percentae (GSA)	$ 925	$ -	$ -	$ 280
2022-23 Adjusted Base Grant per ADA	$ 9,815	$ 9,024	$ 9,291	$ 11,047

LCFF – Supplemental and Concentration Grants per ADA – Target Funding

Increases to supplemental and concentration grants are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced meal (FRPM) program eligible students, and foster youth.

Factors	Gr. K-3	Gr. 4-6	Gr. 7-8	Gr. 9-12
2022-23 Adjusted Base Grant per ADA	$ 9,815	$ 9,024	$ 9,291	$ 11,047
20% Supplemental Grant per ADA (Total UPP)	$ 1,963	$ 1,805	$ 1,858	$ 2,209
65% Concentration Grant per ADA (UPP Above 55%)	$ 6,380	$ 5,866	$ 6,039	$ 7,181

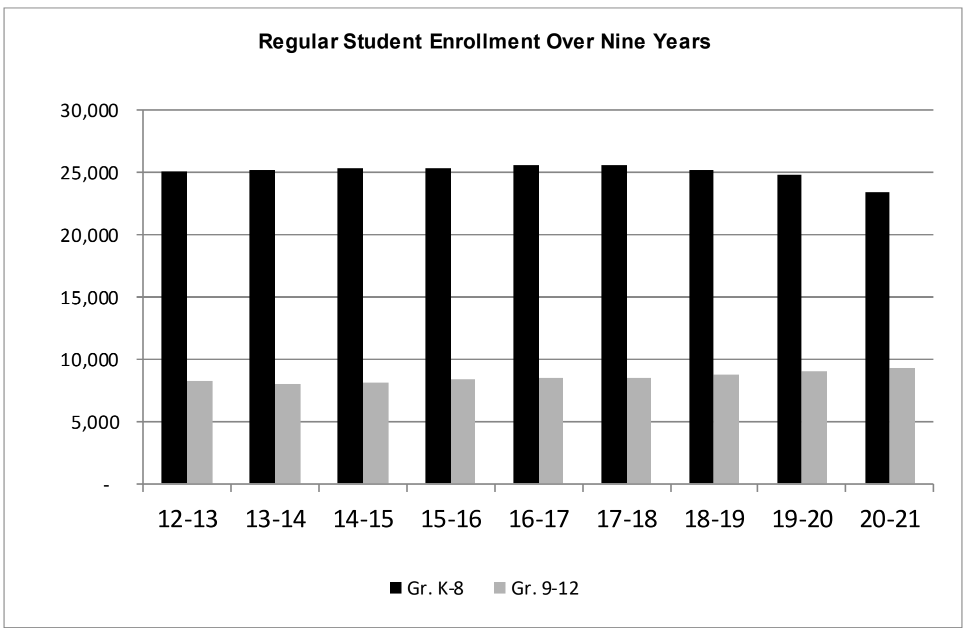
Other Education Items Included in the State Budget
Other items in the state budget for allocation state-wide include:

- 2022-23 provider reimbursement rates for General Child Care increased by the statutory 6.56% COLA
- Measures provided to retain essential staff and relieve pressure on local district budgets.

The critical assumptions used in preparing the District's 2022-23 General Fund budget in more detail below.

Student Enrollment and Enrollment Projections
One of the economic factors affecting the school District's future outlook and growth potential is enrollment. Enrollment represents the number of students registered to attend schools within the District's boundaries. Attendance represents those students actually coming to school each day, with revenue coming to the District based on the average daily attendance, or ADA. Additional revenue can be generated from average daily attendance when a greater number of students attend District schools. However, if enrollment is lower, the District receives less of this general purpose revenue. At the end of the second attendance month of the 2022-23 school year, enrollment in District schools, including charter schools, totals 33,106.

The graph below shows regular student enrollment over the last nine years.



In planning a viable budget, the preparation of accurate enrollment projections is critical. With student enrollment showing signs of growth, it becomes imperative to have accurate enrollment projections to staff for an adequate teacher corps, provide proper classroom facilities and order ample books and supplies to meet the needs of District students. Stockton Unified continues to be vigilant in monitoring and projecting student enrollment. Work continues to refine methods in projecting the expected enrollment to allow for better planning of the educational program and control over operational costs.

In summary, student enrollment is the lifeblood of the District. Stockton Unified continues to work to provide educational programs which stimulate student learning and allows the District to retain the current student population and attract additional students.

Salaries and Benefits

Salaries and benefits are subject to negotiations each year based on collective bargaining agreements. Most school districts negotiate based on "total compensation" which consists of salaries and benefits. Total compensation generally refers to increases in salaries and health benefits. The District anticipates that pressure to increase salary compensation and health benefits will continue over the next few years. Currently, the District allocates 89.0% of the General Fund expenditure budget, not including other financing sources and uses, toward salary and health benefit costs. The District controls salary costs in a number of ways, including monitoring and prioritizing the recruitment of authorized positions in the budget, issuing hiring freezes when necessary, and restricting the use of additional and overtime pay. The District will continue to use prudence in discussions with employee bargaining groups regarding the adjustment of employee salaries.

In addition, the District has to assume increases in expenses due to step and column changes. Stockton Unified is obligated to provide additional employee compensation for each bargaining unit contract which has additional experience (years worked) and/or additional education (post-secondary degree program) credits.

Health Rates

The cost of health care is expected to increase over the next few years. The District continues to work with the employee bargaining groups to explore ways of maintaining acceptable levels of health care at affordable costs. One way is through the use of "soft caps" to control the health care costs borne by the District and by individual employees. A maximum amount, or cap, is established for what the District pays towards health care coverage. Individual employees are responsible for paying the difference. These amounts are periodically adjusted to recognize increases in health care rates. This allows for a sharing of cost increases and provides the opportunity to evaluate ways of reducing costs while maintaining coverage levels.

Fund Balance

The fund balance represents yearly differences between revenues and expenditures. The operational results of the District either add to or reduce from the fund balance. Additionally, the fund balance is either unrestricted or restricted. An unrestricted fund balance means that unspent dollars are left to the District's discretion. On the other hand, restricted dollars are not left to the District's discretion and are restricted based on guidelines established by the State Department of Education.

Additionally, a "Reserve for Economic Uncertainties" for unforeseen emergencies is required of districts by the State Department of Education. The reserve for this Stockton Unified is based on 2% of the total General Fund expenditures. Setting aside a state required reserve means that the District has fewer dollars available for operational areas. It also means that a reserve balance is available if the District must address an unplanned financial situation. It is not anticipated that the state's "cap" on the amount a school district can reserve will be triggered during the 2022-23 year.

Conclusion

As the Stockton Unified School District approaches the 2022-23 school year, staff acknowledges that they have a formidable task facing them. Proper planning and foresight will be required for the District to balance financial resources with educational goals and objectives. School site staff, central office employees, and District administration are prepared to meet the goal of providing an educational program that will empower our students to gain the knowledge necessary to progress through life as informed and productive citizens.

Contacting the District's Financial Management

This financial report is designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Mrs. Joann Juarez, Interim Chief Business Official, Stockton Unified School District, 56 South Lincoln Street, Stockton, CA 95203.

BASIC FINANCIAL STATEMENTS

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 615,594,928
Receivables	63,127,626
Stores inventory	1,047,481
Non-depreciable capital assets (Note 4)	154,927,473
Depreciable capital assets, net of accumulated depreciation (Note 4)	613,487,576
Total assets	1,448,185,084
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 9 and 10)	120,507,139
Deferred outflows of resources - OPEB (Note 7)	8,080,544
Deferred loss from refunding of debt	20,615,123
Total deferred outflows	149,202,806
LIABILITIES	
Accounts payable	139,197,345
Claims liability, current (Note 5)	5,162,000
Unearned revenue	39,704,163
Long-term liabilities:	
Claims liability, less current portion (Note 5)	20,116,000
Due within one year (Note 6)	21,045,898
Due after one year (Note 6)	977,436,095
Total liabilities	1,202,661,501
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 9 and 10)	224,319,000
Deferred inflows of resources - OPEB (Note 7)	34,186,484
Total deferred inflows	258,505,484
NET POSITION	
Net investment in capital assets	354,599,669
Restricted:	
Legally restricted programs	108,713,650
Capital projects	14,581,893
Debt service	35,650,731
Self-insurance	48,425,962
Unrestricted	(425,751,000)
Total net position	$ 136,220,905

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 326,614,332	$ 262,909	$ 101,669,192	$ -	$ (224,682,231)
Instruction-related services:					
Supervision of instruction	41,856,120	57,428	17,998,772	-	(23,799,920)
Instructional library, media and technology	990,381	-	118,488	-	(871,893)
School site administration	34,540,066	6,224	4,352,328	-	(30,181,514)
Pupil services:					
Home-to-school transportation	17,829,530	24,468	19,429,615	-	1,624,553
Food services	21,323,279	16,135	23,231,625	-	1,924,481
All other pupil services	56,441,442	39,031	16,022,456	-	(40,379,955)
General administration:					
Data processing	5,261,534	-	393,924	-	(4,867,610)
All other general administration	12,459,871	14,450	8,093,085	-	(4,352,336)
Plant services	69,587,866	20,812	9,437,006	-	(60,130,048)
Ancillary services	1,949,503	-	757,768	-	(1,191,735)
Enterprise activities	14,189	-	-	-	(14,189)
Interest on long-term liabilities	23,750,955	-	-	-	(23,750,955)
Other outgo	1,029,325	4,985,854	18,923,240	-	22,879,769
Total governmental activities	$ 613,648,393	$ 5,427,311	$ 220,427,499	$ -	(387,793,583)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					75,733,057
Taxes levied for debt service					34,937,040
Taxes levied for other specific purposes					2,661,702
Federal and state aid not restricted to specific purposes					363,942,441
Interest and investment earnings					829,404
Interagency revenues					928,241
Miscellaneous					5,252,337
Total general revenues					484,284,222
Change in net position					96,490,639
Net Position, July 1, 2021					39,730,266
Net position, June 30, 2022					$ 136,220,905

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	$ 313,724,476	$ 38,295,711	$ 107,765,053	$ 36,878,819	$ 28,164,147	$ 524,828,206
Cash on hand and in banks	-	-	-	-	1,901,081	1,901,081
Cash in revolving fund	63,912	582	-	-	2,080	66,574
Cash with Fiscal Agent	1,727,168	-	-	-	10,945,634	12,672,802
Receivables	57,155,056	382,158	-	313,655	5,202,105	63,052,974
Due from other funds	8,281,374	799,117	14,010,106	5,291	7,655,117	30,751,005
Stores inventory	727,329	-	-	-	320,152	1,047,481
Total assets	$ 381,679,315	$ 39,477,568	$ 121,775,159	$ 37,197,765	$ 54,190,316	$ 634,320,123
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 114,702,391	$ 4,694,685	$ 6,600,568	$ 1,245,638	$ 1,411,079	$ 128,654,361
Unearned revenue	38,049,637	758,836	-	-	895,690	39,704,163
Due to other funds	5,224,684	3,753,529	-	17,220,106	4,552,686	30,751,005
Total liabilities	157,976,712	9,207,050	6,600,568	18,465,744	6,859,455	199,109,529
Fund balances:						
Nonspendable	791,241	582	-	-	322,232	1,114,055
Restricted	62,612,874	30,269,936	115,174,591	18,732,021	47,008,629	273,798,051
Committed	43,793,073	-	-	-	-	43,793,073
Assigned	105,557,150	-	-	-	-	105,557,150
Unassigned	10,948,265	-	-	-	-	10,948,265
Total fund balances	223,702,603	30,270,518	115,174,591	18,732,021	47,330,861	435,210,594
Total liabilities and fund balances	$ 381,679,315	$ 39,477,568	$ 121,775,159	$ 37,197,765	$ 54,190,316	$ 634,320,123

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET – TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances - Governmental Funds		$ 435,210,594
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $1,083,250,385 and the accumulated depreciation is $314,835,336 (Note 4).		768,415,049
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2022 consisted of (Note 6):		
General Obligation Bonds and premium	$ (520,017,424)	
Accreted interest	(48,857,886)	
Certificates of Participation and premium	(29,587,670)	
Net pension liability (Notes 9 and 10)	(269,466,000)	
Total OPEB liability (Note 7)	(128,381,815)	
Compensated absences	(2,171,198)	
		(998,481,993)
In the governmental funds, interest on long-term liabilities 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 occurred.		(8,046,559)
In governmental funds, deferred losses on refundings of debt are are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		20,615,123
In government 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 the total OPEB liability and net pension liability are reported (Notes 7, 9 and 10).		
Deferred outflows of resources relating to pensions	$ 120,507,139	
Deferred outflows of resources relating to OPEB	8,080,544	
Deferred inflows of resources relating to pensions	(224,319,000)	
Deferred inflows of resources relating to OPEB	(34,186,484)	
		(129,917,801)
Internal service funds are used to conduct certain activities for which cost are charged to other funds. Assets and liabilities are reported within the governmental activities in the Statement of Net Position.		48,426,492
Total net position - governmental activities		$ 136,220,905

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding						
Formula (LCFF):						
State apportionment	$ 349,365,278	$ 19,730,981	$ -	$ -	$ -	$ 369,096,259
Local sources	63,408,727	-	-	-	-	63,408,727
Total LCFF	412,774,005	19,730,981	-	-	-	432,504,986
Federal sources	59,644,445	-	-	-	28,654,040	88,298,485
Other state sources	115,611,611	3,243,257	-	252,943	17,658,795	136,766,606
Other local sources	18,598,086	145,954	458,240	34,756,371	7,169,673	61,128,324
Total revenues	606,628,147	23,120,192	458,240	35,009,314	53,482,508	718,698,401
Expenditures:						
Current:						
Certificated salaries	207,722,725	11,145,722	-	-	8,722,707	227,591,154
Classified salaries	89,429,447	1,426,592	-	-	12,207,463	103,063,502
Employee benefits	162,428,363	6,802,381	-	-	12,052,293	181,283,037
Books and supplies	28,495,515	583,037	377,762	-	8,916,549	38,372,863
Contract services and operating expenditures	55,870,286	1,864,735	4,610,195	-	1,968,433	64,313,649
Other outgo	994,325	-	-	-	35,000	1,029,325
Capital outlay	3,348,120	11,442	65,422,976	-	2,293,733	71,076,271
Debt service:						
Principal retirement	-	-	-	30,250,000	1,280,000	31,530,000
Interest	-	-	-	17,127,326	1,339,000	18,466,326
Total expenditures	548,288,781	21,833,909	70,410,933	47,377,326	48,815,178	736,726,127
Excess of revenues over expenditures	58,339,366	1,286,283	(69,952,693)	(12,368,012)	4,667,330	(18,027,726)
Other financing sources (uses):						
Transfers in	875,371	-	-	-	1,070,000	1,945,371
Transfers out	-	-	-	(1,070,000)	(875,371)	(1,945,371)
Proceeds from debt issuance	-	-	98,000,000	-	-	98,000,000
Debt issuance premiums	-	-	14,484,509	-	-	14,484,509
Total other financing sources (uses)	875,371	-	112,484,509	(1,070,000)	194,629	112,484,509
Change in fund balances	59,214,737	1,286,283	42,531,816	(13,438,012)	4,861,959	94,456,783
Fund balances, July 1, 2021	164,487,866	28,984,235	72,642,775	32,170,033	42,468,902	340,753,811
Fund balances, June 30, 2022	$ 223,702,603	$ 30,270,518	$ 115,174,591	$ 18,732,021	$ 47,330,861	$ 435,210,594

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net change in fund balances - Total Governmental Funds	$ 94,456,783
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	77,993,220
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(16,686,989)
In governmental funds, proceeds from debt issuance are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities.	(98,000,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	31,530,000
In governmental funds, debt issued at a premium is recognized as other financing source. In the government-wide statements, debt issued at a premium is amortized as interest over the life of the debt (Note 6).	(11,639,338)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded of refunding of the debt.	(1,421,785)
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(4,920,592)
In governmental funds, interest on long-term liabilities is recognized in the period that is becomes due. In the government-wide statement of activities, it is recognized in the period incurred.	381,259
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a cost recovery basis The change in net position for the Self-Insurance Fund was:	8,023,906

(Continued)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs actual employer contributions was (Notes 6, 9 and 10):	$ 24,661,607
In governmental funds, OPEB costs are recognized when employers contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis (Notes 7).	(7,883,850)
In governmental funds, expenditures are measured by the amounts of financial resources used. In the statement of activities, expenditures related to compensated absences are measured by the amount of financial resources used (Note 6).	(3,582)
Change in net position of governmental activities	$ 96,490,639

STATEMENT OF NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2022

ASSETS	
Cash and investments:	
Cash in County Treasury	$ 75,358,466
Cash with Fiscal Agent	767,270
Cash in Revolving Fund	529
Receivables	74,652
Total current assets	76,200,917
LIABILITIES	
Accounts payable	2,496,425
Claims liability, current	5,162,000
Total current liabilities	7,658,425
Claims liability, less current portion	20,116,000
Total liabilities	27,774,425
NET POSITION	
Restricted for self-insurance	$ 48,426,492

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2022

Operating revenue:	
Self-insurance premiums	$ 21,893,764
Other local revenues	550,120
Total operating expenses	22,443,884
Operating expenses:	
Classified Salaries	232,734
Employee benefits	118,426
Books and supplies	36,192
Contract services	14,297,716
Total operating expenses	14,685,068
Operating income	7,758,816
Non-operating income:	
Interest income	265,090
Change in net position	8,023,906
Total net position, July 1, 2021	40,402,586
Total net position, June 30, 2022	$ 48,426,492

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 21,893,764
Cash received from other local revenue	550,120
Cash paid for employee benefits	(4,277,917)
Cash paid for other expenses	(8,732,003)
Net cash provided by operating activities	9,433,964
Cash flows provided by investing activities:	
Interest income received	265,090
Increase in cash and investments	9,699,054
Cash and investments, July 1, 2021	66,427,211
Cash and investments, June 30, 2022	$ 76,126,265
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 7,758,816
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in receivables	69,589
Increase in accounts payable and claims liability	1,605,559
Total adjustments	1,675,148
Net cash provided by operating activities	$ 9,433,964

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY NET POSITION
TRUST FUND
June 30, 2022

	Scholarship Trust
ASSETS	
Cash on hand and in bank (Note 2)	$ 806,328
NET POSITION	
Restricted for scholarships	$ 806,328

See accompanying notes to financial statements.

STOCKTON UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2022

	Scholarship Trust
Additions:	
Contributions	$ 19,786
Deductions:	
Contract service and operating expenditures	$ 1,000
Change in net position	18,786
Net position, July 1, 2021	787,542
Net position, June 30, 2022	$ 806,328

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District, Stockton Unified School District Community Facilities District No. 1 (the "CFD") and Stockton Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the CFD and the Corporation as component units of the District. Therefore, the financial activities of the CFD and the Corporation have been included in the basic financial statements of the District as a Blended Component Unit.

The following are those aspects of the relationship between the District, the CFD and the Corporation which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 criteria:

A - Manifestations of Oversight

1. The CFD's and Corporation's Board of Directors were appointed by the District's Board of Education.

2. The Corporation has no employees. The District's Superintendent and Chief Business Official function as agents of the Corporation. Neither individual received additional compensation for work performed in this capacity.

3. The District exercises significant influence over operations of the CFD and the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the CFD and the Corporation.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the CFD and the Corporation must have the consent of the District.

2. Any deficits incurred by the CFD and the Corporation will be reflected in the lease payments of the District. Any surpluses of the CFD and the Corporation revert to the District at the end of the lease period.

3. It is anticipated that the District's lease payments will be the sole revenue source of the CFD and the Corporation.

4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the CFD and the Corporation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The CFD and the Corporation were created for the sole purpose of financially assisting the District.

2. The CFD is a legally constituted governmental entity, established under the authority of the Mello-Roos Community Facilities Act of 1982. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The CFD and the Corporation were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all CFD and the Corporation facilities. When the CFD's and the Corporation's long-term liabilities have been paid with state reimbursements and the District's developer fees, title of all CFD and the Corporation property will pass to the District for no additional consideration.

3. The CFD's financial activity is presented in the financial statements as the Debt Service Fund. The Corporation's financial activity is presented in the financial statements as the Capital Facilities Fund.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Charter School Fund - The Charter School Fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted for the District's charter schools.

Building Fund - The Building Fund is a capital project fund used to account for resources used for the acquisition or construction of capital facilities by the District.

Bond Interest and Redemption Fund - The Bond Interest and Redemption Fund is a debt service fund used to account for resources used for the accumulation of resources for, and the payment of, general obligation bonds' debt principal, interest, and related costs.

B - Other Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Student Activity, Adult Education, Child Development, Cafeteria, and Deferred Maintenance Funds.

Capital Projects Funds - Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Capital Facilities and Special Reserve for Capital Outlay Projects Funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Self-Insurance Fund is an Internal Service Fund type that is used to account for services rendered on a cost- reimbursement basis within the District. The Self-Insurance Fund is used to provide workers' compensation, property and general liability to employees of the District.

The Trust Fund is a Fiduciary Fund type that is used to account for assets held by the District as Trustee. This classification includes the Scholarship Trust Fund.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2022.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of $50,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow related to a deferred loss on refunding of the District's debt. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Also, the District has recognized a deferred outflow of resources related to the recognition of the total OPEB liability and net pension liability.

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 represents an acquisition of net position that applies to future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability and total OPEB liability.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 85,211,891	$ 35,295,248	$ 120,507,139
Deferred inflows of resources	$ 177,045,000	$ 47,274,000	$ 224,319,000
Net pension liability	$ 147,036,000	$ 122,430,000	$ 269,466,000
Pension expense	$ 24,173,654	$ 21,415,274	$ 45,588,928

Compensated Absences: Compensated absences totaling $2,171,198 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self-insurance represents the portion of net position restricted for the District's self-insured activities. The restriction for scholarships represents the portion of net position restricted for student scholarships. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2022, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2022 the Board of Education has designated the Chief Business Official with the authority to assign fund balances.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2022, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 15 and March 15. Unsecured property taxes are due in one installment on or before August 31. The County of San Joaquin bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: New Accounting Pronouncements: In June 2017, the GASB issued GASB Statement No. 87, *Leases*. GASB Statement No. 87 requires the recognition of certain assets and liabilities for leases which previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lease is required to be recognized as a lease liability with a corresponding intangible right-to-use lease asset. Additionally, the lessor is required to recognize a lease receivable and corresponding deferred inflow of resources. This statement was originally effective for fiscal years beginning after December 15, 2019, but due to the adoption of GASB Statement No. 95, the implementation date was extended to reporting periods beginning after June 15, 2021. The District has determined the implementation of this Statement was not material to the District's financial position.

(Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2022 are reported at fair value and consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Activities
Pooled Funds:				
Cash in County Treasury	$ 524,828,206	$ 75,358,466	$ 600,186,672	$ -
Deposits:				
Cash on hand and in banks	1,901,081	-	1,901,081	806,328
Cash in revolving fund	66,574	529	67,103	-
Investments:				
Cash with Fiscal Agent	12,672,802	767,270	13,440,072	-
Total cash and cash investments	$ 539,468,663	$ 76,126,265	$ 615,594,928	$ 806,328

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk - Deposits: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2022, the carrying amount of the District's accounts was $2,774,512 and the bank balance was $1,900,594. Total uninsured bank balances were $1,650,594.

Investments: The Cash with Fiscal Agent in the Governmental Funds represents debt proceeds that have been set aside for capital projects and the repayment of long-term liabilities. These amounts are held by a third-party custodian in the District's name as cash held in banks.

The Cash with Fiscal Agent in the Proprietary Fund represents cash segregated for the future payment of self-insured benefits. These amounts are held by a third-party custodian in the District's name as cash held in banks.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2022, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2022, the District had no concentration of credit risk.

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2022 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 8,281,374	$ 5,224,684
Charter School	799,117	3,753,529
Building	14,010,106	-
Bond Interest and Redemption	5,291	17,220,106
Non-Major Funds:		
Adult Education	-	125,946
Child Development	41,163	154,304
Cafeteria	3,082,161	1,358,786
Deferred Maintenance	6,803	-
Capital Facilities	500,000	-
Special Reserve for Capital Outlay Projects	814,990	2,913,650
Debt Service	3,210,000	-
Totals	$ 30,751,005	$ 30,751,005

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2021-2022 fiscal year were as follows:

Transfer from the Adult Education Fund to the General Fund for indirect costs.	$ 180,347
Transfer from the Child Development Fund to the General Fund for indirect costs.	681,942
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	13,082
Transfer from the Bond Interest and Redemption Fund to the Debt Service Fund for the annual sinking fund deposit.	1,070,000
	$ 1,945,371

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2022 is shown below:

Governmental Activities	Balance July 1, 2021	Transfers and Additions	Transfers and Deductions	Balance June 30, 2022
Non-depreciable:				
Land	$ 36,080,997	$ -	$ -	$ 36,080,997
Work-in-process	101,598,872	77,329,202	(60,081,598)	118,846,476
Depreciable:				
Buildings	820,986,945	54,559,657	-	875,546,602
Site improvements	16,135,750	5,521,941	-	21,657,691
Equipment	30,454,601	664,018	-	31,118,619
Totals, at cost	1,005,257,165	138,074,818	(60,081,598)	1,083,250,385
Less accumulated depreciation:				
Buildings	(270,623,568)	(14,794,920)	-	(285,418,488)
Site improvements	(7,363,526)	(666,171)	-	(8,029,697)
Equipment	(20,161,253)	(1,225,898)	-	(21,387,151)
Total accumulated depreciation	(298,148,347)	(16,686,989)	-	(314,835,336)
Capital assets, net	$ 707,108,818	$ 121,387,829	$ (60,081,598)	$ 768,415,049

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 16,007,273
Home-to-school transportation	299,514
Food services	179,138
All other general administration	96,072
Centralized data processing	52,666
Plant services	52,326
Total depreciation expense	$ 16,686,989

NOTE 5 - RISK MANAGEMENT/CLAIMS LIABILITIES

The District has established a Self-Insurance Fund to account for employee vision benefits, employee dental benefits and workers' compensation plans. The employee vision and dental plans are self-insured and contracted with a third-party administrator for benefits processing. Until July 31, 1998 and from July 1, 2001 through June 30, 2005, the workers' compensation plan provided coverage up to $250,000 and purchased excess insurance for claims over the retained coverage limit. Between August 1, 1998 and June 30, 2001, and from July 1, 2005 onward, the District purchased insurance for the workers' compensation coverage.

The liability for unpaid claims and claim adjustment expenses represents the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These claims will be paid in future years.

District management recomputes the liability annually using available updated claims data. Every three years, the District contracts with an actuary who performs an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. The last actuarial studies for the District's self-insured programs were completed as of June 30, 2021. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The liabilities for unpaid claims and claim adjustment expenses are as follows:

	June 30, 2021	June 30, 2022
Unpaid claim and claim adjustment expenses, beginning of year	$ 24,548,000	$ 24,610,000
Total incurred claims and claim adjustment expenses	3,988,757	6,377,056
Total payments	(3,926,757)	(5,709,056)
Total unpaid claims and claim adjustment expenses at the end of the year	$ 24,610,000	$ 25,278,000

(Continued)

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: On December 17, 2009, the District issued Election of 2008 General Obligation Bonds, Series B, Qualified School Construction Bonds (2008 Series B), totaling $16,040,000. The bonds bear interest at a rate of 2.19% and are scheduled to mature through fiscal year 2026.

On July 22, 2010, the District issued Election of 2008 General Obligation Bonds, Series C, Qualified School Construction Bonds (2008 Series C), totaling $14,930,000. The bonds bear coupon rates from 5.17% to 7.08% and are scheduled to mature through fiscal year 2028.

On June 2, 2011, the District issued Election of 2008 General Obligation Bonds, Series D (2008 Series D), totaling $56,146,497. The 2008 Series D Bonds were issued as Capital Appreciation Bonds, with interest compounding on February 1 and August 1, to maturity. The 2008 Series D Bonds were partially refunded by the issuance of the 2014A Refunding and 2014B Refunding. All of the refunded maturities have been fully repaid. The remaining 2008 Series D Bonds bear interest at rates ranging from 5.89% to 7.72% and are scheduled to mature through fiscal year 2051.

On November 6, 2012, the District issued 2012 General Obligation Refunding Bonds (2012 Refunding), totaling $43,570,000. The 2012 Refunding was issued to refund the remaining maturities of the District's Series 2001, Series 2003 and Series 2004 General Obligation Bonds. The 2012 Refunding bears interest at rates from 3.0% to 5.0% and are scheduled to mature through fiscal year 2029.

On March 6, 2014, the District issued Election of 2012 General Obligation Bonds, Series A (2012 Series A), totaling $65,000,000. The 2012 Series A bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through fiscal year 2043.

On September 11, 2014, the District issued Series 2014A General Obligation Refunding Bonds (2014 A Refunding). totaling $35,620,000. The 2014A Refunding was issued to refund certain maturities of the District's Series 2008 D General Obligation Capital Appreciation Bonds. The 2014A Refunding bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through fiscal year 2040.

On December 17, 2015, the District issued Election of 2012 General Obligation Bonds, Series B (2012 Series B), totaling $30,000,000. The 2012 Series B bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through fiscal year 2041.

On February 2, 2016, the District issued 2016 General Obligation Refunding Bonds (2016 Refunding), totaling $128,285,000. The 2016 Refunding was issued to refund all outstanding maturities of the District's Series 2006 and Series 2007 GO bonds, and the 2008 Series A GO Bonds. The 2016 Refunding bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through fiscal year 2033.

On October 23, 2018, the District issued Election of 2012 General Obligation Bonds, Series C (2012 Series C), totaling $61,000,000. The 2012 Series C bonds bear interest at rates ranging from 3.75% to 5.00% and are scheduled to mature through fiscal year 2044.

Also on October 23, 2018, the District issued Election of 2014 General Obligation Ed-Tech Bonds, Series B (2014 Series B), totaling $9,760,000. The 2014 Series B bonds bear interest at rates ranging from 4.0% to 5.0% and are scheduled to mature through fiscal year 2022.

On November 19, 2019, the District issued Election of 2018, Series A General Obligation Bonds totaling $30,000,000. The Bonds were issued as GO Reauthorization Bonds and bear interest at rates ranging from 2.5% to 5.0%, maturing through August 2046.

NOTE 6 - LONG-TERM LIABILITIES (Continued)

On October 26, 2021, the District issued Election of 2018, Series B General Obligation Bonds totaling $98,000,000. The Bonds were issued as current interest bonds and bear interest at rates ranging from 0.20% to 4.00%, with maturities through August 2046.

A summary of General Obligation Bonds payable as of June 30, 2022 follows:

Series	Interest Rate %	Maturity Date	Balance July 1, 2021	Current Year Issuance	Matured Current Year	Balance June 30, 2022
2008 Series B	2.19%	2026	$ 16,040,000	$ -	$ -	$ 16,040,000
2008 Series C	5.17-7.08%	2028	8,900,000	-	1,210,000	7,690,000
2008 Series D	5.89-7.72%	2051	43,622,363	-	-	43,622,363
2012 Refunding Bonds	3.00-5.00%	2029	28,560,000	-	3,655,000	24,905,000
2012 Series A	3.00-5.00%	2043	58,525,000	-	380,000	58,145,000
2014A Refunding Bonds	4.00-5.00%	2040	35,110,000	-	595,000	34,515,000
2012 Series B	3.00-5.00%	2041	23,440,000	-	530,000	22,910,000
2016 Refunding Bonds	2.00-5.00%	2033	108,480,000	-	6,320,000	102,160,000
2012 Series C	3.75-5.00%	2044	57,300,000	-	400,000	56,900,000
2014 Series B	4.00-5.00%	2022	3,260,000	-	3,260,000	-
2018 Series A	2.50-5.00%	2046	28,600,000	-	2,400,000	26,200,000
2018 Series B	0.20-4.00%	2046	-	98,000,000	11,500,000	86,500,000
Total			$ 411,837,363	$ 98,000,000	$ 30,250,000	$ 479,587,363

The annual requirements to amortize the General Obligation Bonds Payable and outstanding as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 16,830,000	$ 18,460,228	$ 35,290,228
2024	20,836,028	18,522,735	39,358,763
2025	22,121,369	18,011,112	40,132,481
2026	35,630,308	16,904,221	52,534,529
2027	19,417,899	16,528,987	35,946,886
2028-2032	105,013,500	89,964,570	194,978,070
2033-2037	86,028,165	97,770,226	183,798,391
2038-2042	100,965,620	80,196,745	181,162,365
2043-2047	51,807,691	59,217,697	111,025,388
2048-2052	20,936,783	60,522,753	81,459,536
	$ 479,587,363	$ 476,099,274	$ 955,686,637

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation (COPs): In February 2018, the District issued Certificates of Participation in the amount of $30,270,000 with interest rates from 4.00% to 5.00%, maturing on February 1, 2036. The proceeds of 2018 Certificates were used to provide funds to refund the 2007 Certificates.

Scheduled payments for the COPs are as follows:

Year Ending June 30,	Payments
2023	$ 2,615,000
2024	2,618,000
2025	2,612,500
2026	2,613,750
2027	2,616,250
2028-2032	13,088,500
2033-2036	9,678,250
Total payments	35,842,250
Less amount representing interest	(10,342,250)
Net present value of minimum payments	$ 25,500,000

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2022 is shown below:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Amounts Due Within One Year
Debt:					
General Obligation Bonds	$ 411,837,363	$ 98,000,000	$ 30,250,000	$ 479,587,363	$ 16,830,000
General Obligation Bonds Premium	28,590,908	14,484,509	2,645,356	40,430,061	2,666,242
Accreted interest	43,937,294	4,920,592	-	48,857,886	-
Certificates of Participation	26,780,000	-	1,280,000	25,500,000	1,340,000
Certificates of Participation Premium	4,287,485	-	199,815	4,087,670	209,656
Other long-term liabilities					
Net pension liability (Notes 9 and 10)	521,966,000	-	252,500,000	269,466,000	-
Total OPEB liability (Note 7)	145,017,095	-	16,635,280	128,381,815	-
Compensated absences	2,167,616	3,582	-	2,171,198	-
	$ 1,184,583,761	$ 117,408,683	$ 303,510,451	$ 998,481,993	$ 21,045,898

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the total OPEB liability, net pension liability and for compensated absences are made from the fund for which the related employee worked.

(Continued)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

General Information Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 9 and 10, the District provides a single-employer defined benefit healthcare plan to all employees who retire from the District on or after attaining age 55 with at least 10 years of service, in accordance with contracts between the District and employee groups. Benefits are provided for retirees age 55 to 65. The District pays up to $1,095 per month for health benefits of retirees on a pay-as-you-go basis. The plan does not issue separate financial statements.

The Stockton Unified School District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the District's retirement plan to continue medical, dental and vision coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2022 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2022:

	Number of Participants
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	653
Active Employees	3,086
	3,739

Benefits Provided: The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District are eligible to receive postemployment health care benefits.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were $3,326,191 for the year ended June 30, 2022. Employees are not required to contribute to the OPEB plan.

(Continued)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Mortality Rate	2020 CalSTRS Mortality for Certificated Employees. 2017 CalPERS Mortality for others.
Discount Rate as of June 30, 2022	3.54%. Based on the Bond Buyer 20-Bond Index.
Retirement Rate	Retirement rates march rates developed in The most recent experience studies for California PERS (2017) and California STRS (2020).
Inflation Rate	2.50% per year
Salary Increases	2.75% per year
Spouse Coverage	80% of retirees are assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality. Female spouses are assumed to be three years younger than male.
Medicare Coverage	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon , age 65.
Participation Rates	Of current and future participating retirees under Age 65, 90% are expected to participate in the Plan. 70% of employees are expected to participate in Medicare upon reaching age 65.
Costs for Retiree Coverage	Retiree liabilities are based on actual retiree premiums plus an implicit rate subsidy of 73.9% of non-Medicare medical premium. Liabilities for active participants vary and are based on the first costs adjusted for an implicit rate subsidy. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

(Continued)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	$ 145,017,095
Changes for the year:	
Service cost	10,521,252
Interest	3,210,076
Benefit payments	(3,326,191)
Experience (Gains)/Losses	(3,408,344)
Changes in assumptions	(23,632,073)
Net change	(16,635,280)
Balance at June 30, 2022	$ 128,381,815

The change of assumptions in the June 30, 2022 measurement included a change in the discount rate from 2.16% in the prior valuation, to 3.54% in the current valuation.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	$ 144,878,017	$ 128,381,815	$ 114,617,195

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 (3.0%)	Healthcare Cost Trend Rates Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	$ 111,469,928	$ 128,381,815	$ 149,813,549

(Continued)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2022, the District recognized OPEB expense of $11,210,041.

At June 30, 2022 the District reported the following deferred outflows of resources and deferred inflows of resources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 8,080,544	$ 21,522,066
Difference between expected and actual experience	-	12,664,418
	$ 8,080,544	$ 34,186,484

The changes in assumptions and differences in actual and expected experience will be recognized into OPEB expense as follows:

Year Ending June 30,	
2023	$ (2,521,287)
2024	$ (2,521,287)
2025	$ (2,521,287)
2026	$ (2,521,287)
2027	$ (2,521,287)
Thereafter	$ (13,499,505)

(Continued)

NOTE 8 - FUND BALANCE

Fund balances, by category, at June 30, 2022 consisted of the following:

	General Fund	Charter School Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	$ 63,912	$ 582	$ -	$ -	$ 2,080	$ 66,574
Stores inventory	727,329	-	-	-	320,152	1,047,481
Subtotal nonspendable	791,241	582	-	-	322,232	1,114,055
Restricted:						
Legally restricted:						
Grants	62,612,874	-	-	-	-	62,612,874
Charter schools	-	30,269,936	-	-	-	30,269,936
Cafeteria	-	-	-	-	11,748,740	11,748,740
Deferred maintenance	-	-	-	-	764,016	764,016
Other programs	-	-	-	-	2,995,270	2,995,270
Capital projects	-	-	115,174,591	-	14,581,893	129,756,484
Debt service	-	-	-	18,732,021	16,918,710	35,650,731
Subtotal restricted	62,612,874	30,269,936	115,174,591	18,732,021	47,008,629	273,798,051
Committed:						
Fiscal solvency reserves (8%)	43,793,073	-	-	-	-	43,793,073
Subtotal Committed	43,793,073	-	-	-	-	43,793,073
Assigned:						
Reserve for future deficit spending	60,000,000	-	-	-	-	60,000,000
Reserved for declining enrollment	33,557,150	-	-	-	-	33,557,150
One time-lottery carryover	12,000,000	-	-	-	-	12,000,000
Subtotal assigned	105,557,150	-	-	-	-	105,557,150
Unassigned:						
Designated for economic uncertainty	10,948,265	-	-	-	-	10,948,265
Total fund balances	$ 223,702,603	$ 30,270,518	$ 115,174,591	$ 18,732,021	$ 47,330,861	$ 435,210,594

(Continued)

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

(Continued)

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.
All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the “Special Legislation”) were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan and the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-2022.
Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-2022. According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2020 valuation adopted by the board in June 2021, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2021.

Employers – 16.920 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.18 percent, to be paid on behalf of employers pursuant to the Special Legislation.
Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorizes the board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In June 2021, the CalSTRS board voted to keep the employer supplemental contribution rate the same for fiscal year 2021–22; it remained at 10.85% effective July 1, 2021.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately $2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rates effective for fiscal year 2021-2022 through fiscal year 2046-47 are summarized in the table below:

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	Rate Adjustment Per Special Legislation	Total
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed $35,456,891 to the plan for the fiscal year ended June 30, 2022.

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In June 2021, the board approved an increase of 0.5% for fiscal year 2021–22, which will increase the state supplemental contribution rate to 6.311% effective July 1, 2021.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, Rainy-Day Budget Stabilization Fund Act, which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2020–21, CalSTRS received $297.0 million in supplemental state contributions from Proposition 2 funds. Of this total, approximately $170.0 million is designated to cover forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21. The remaining $127.0 million is designated to reduce the state's share of CalSTRS' unfunded actuarial obligation.

(Continued)

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2021-2022 and beyond are summarized in the table below.

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	SBMA Funding(1)	Total
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

(1) The SBMA contribution rate excludes the $72 million that is reduced from the required contribution in accordance with Education Code section 22954.
(2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
(3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	$ 147,036,000
State’s proportionate share of the net pension liability associated with the District	87,484,000
Total	$ 234,520,000

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2021, the District’s proportion was 0.323 percent, which was a decrease of 0.031 percent from its proportion measured as of June 30, 2020.

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2022, the District recognized pension expense of $24,173,654 and revenue of $24,575,729 for support provided by the State. At June 30, 2022, 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
Difference between expected and actual experience	$ 368,000	$ 15,648,000
Changes of assumptions	20,833,000	-
Net differences between projected and actual earnings on investments	-	116,309,000
Changes in proportion and differences between District contributions and proportionate share of contributions	28,554,000	45,088,000
Contributions made subsequent to measurement date	35,456,891	-
Total	$ 85,211,891	$ 177,045,000

$35,456,891 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	$ (23,196,717)
2024	$ (22,268,717)
2025	$ (29,834,716)
2026	$ (37,834,716)
2027	$ (8,768,467)
2028	$ (5,386,667)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 . The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

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

Mortality: 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-2019) 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 investment staff and investment consultants as inputs to the process.

NOTE 9 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 299,313,000	$ 147,036,000	$ 20,649,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. The Plan was established to provide retirement, death and disability benefits to non-teaching and non- certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

https://www.calpers.ca.gov/docs/forms-publications/acfr-2021.pdf

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2022 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2021-22.

Employers - The employer contribution rate was 22.91 percent of applicable member earnings.

The District contributed $20,230,248 to the plan for the fiscal year ended June 30, 2022.

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

At June 30, 2021, the District reported a liability of $122,430,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2021 the District's proportion was 0.602 percent, which was an increase of 0.018 percent from its proportion measured as of June 30, 2020.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2022, the District recognized pension expense of $21,415,274. At June 30, 2022, 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
Difference between expected and actual experience	$ 3,655,000	$ 289,000
Net differences between projected and actual earnings on investments	-	46,985,000
Changes in proportion and differences between District contributions and proportionate share of contributions	11,410,000	-
Contributions made subsequent to measurement date	20,230,248	-
Total	$ 35,295,248	$ 47,274,000

$20,230,248 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	$ (3,166,583)
2024	$ (5,857,583)
2025	$ (10,117,084)
2026	$ (13,067,750)

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2021 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 experience study report.All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return Years (1-10)(1)	Expected Real Rate of Return Years 11+(2)
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average
(1) An expected inflation rate of 2.00% used for this period.
(2) An expected inflation rate of 2.92% used for this period.

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

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.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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 and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

<u>Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 206,434,000	$ 122,430,000	$ 52,689,000

<u>Pension Plan Fiduciary Net Position</u>: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 – JOINT POWERS AGREEMENTS

The District participates in certain joint ventures under joint powers agreements, as follows:

Northern California Regional Liability Excess Fund: The District is a member with other districts in San Joaquin County and the San Joaquin County Office of Education in Northern California Regional Liability Excess Fund (NCReLiEF) for the operation of a common risk management and insurance program. NCReLiEF is governed by a board consisting of representatives of member districts. The board controls the operations of NCReLiEF, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for NCReLiEF for the year ended June 30, 2022 is as follows:

Total assets	$ 82,004,796
Total liabilities	$ 51,323,041
Total net position	$ 30,681,755
Total revenues	$ 78,041,010
Total expenditures	$ 63,589,183
Change in net position	$ 14,451,827

The relationship between the District and the Joint Powers Authorities is such that they are not component units of the District for financial reporting purposes.

Schools Association for Excess Risk: The District is a member with other districts in San Joaquin County and the San Joaquin County Office of Education in Schools Association for Excess Risk (SAFER) for the operation of a common risk management and insurance program. SAFER is governed by a board consisting of representatives of member districts. The board controls the operations of SAFER, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed audited financial information for SAFER for the year ended June 30, 2021 (the most recent information available) is as follows:

Total assets	$ 43,779,353
Total liabilities	$ 41,873,705
Total net position	$ 1,905,648
Total revenues	$ 101,923,130
Total expenditures	$ 101,673,081
Change in net position	$ 250,049

The relationship between the District and the Joint Powers Authorities is such that they are not component units of the District for financial reporting purposes.

(Continued)

NOTE 12 – CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

Construction Commitments: At June 30, 2022, the District had approximately $22.6 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

STOCKTON UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 337,612,473	$ 343,425,365	$ 349,365,278	$ 5,939,913
Local sources	58,651,812	69,174,934	63,408,727	(5,766,207)
Total LCFF	396,264,285	412,600,299	412,774,005	173,706
Federal sources	219,419,167	95,456,065	59,644,445	(35,811,620)
Other state sources	107,100,563	121,726,169	115,611,611	(6,114,558)
Other local sources	5,239,746	7,366,316	18,598,086	11,231,770
Total revenues	728,023,761	637,148,849	606,628,147	(30,520,702)
Expenditures:				
Current:				
Certificated salaries	196,307,865	210,513,026	207,722,725	2,790,301
Classified salaries	84,921,507	90,411,005	89,429,447	981,558
Employee benefits	162,045,641	165,962,627	162,428,363	3,534,264
Books and supplies	245,500,490	92,004,440	28,495,515	63,508,925
Contract services and operating expenditures	45,792,826	67,809,340	55,870,286	11,939,054
Other outgo	(1,129,474)	(394,733)	994,325	(1,389,058)
Capital outlay	350,464	5,674,800	3,348,120	2,326,680
Total expenditures	733,789,319	631,980,505	548,288,781	83,691,724
(Deficiency) excess of revenues (under) over expenditures	(5,765,558)	5,168,344	58,339,366	53,171,022
Other financing sources (uses):				
Transfers in	(629,474)	104,887	875,371	770,484
Total other financing sources (uses)	(629,474)	104,887	875,371	770,484
Change in fund balance	(6,395,032)	5,273,231	59,214,737	53,941,506
Fund balance, July 1, 2021	164,487,866	164,487,866	164,487,866	-
Fund balance, June 30, 2022	$ 158,092,834	$ 169,761,097	$ 223,702,603	$ 53,941,506

See note to required supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
CHARTER SCHOOL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 24,020,331	$ 23,709,472	$ 19,730,981	$ (3,978,491)
Other state sources	3,952,431	3,905,089	3,243,257	(661,832)
Other local sources	14,191	278,935	145,954	(132,981)
Total revenues	27,986,953	27,893,496	23,120,192	(4,773,304)
Expenditures:				
Current:				
Certificated salaries	10,800,847	11,061,214	11,145,722	(84,508)
Classified salaries	1,422,939	1,447,506	1,426,592	20,914
Employee benefits	6,168,260	7,509,204	6,802,381	706,823
Books and supplies	25,864,205	21,221,259	583,037	20,638,222
Contract services and operating expenditures	5,298,629	5,397,241	1,864,735	3,532,506
Capital outlay	41,072	48,841	11,442	37,399
Total expenditures	49,595,952	46,685,265	21,833,909	24,851,356
(Deficiency) excess of revenues (under) over expenditures	(21,608,999)	(18,791,769)	1,286,283	20,078,052
Other financing sources (uses):				
Transfers out	(1,470)	-	-	-
Change in fund balance	(21,610,469)	(18,791,769)	1,286,283	20,078,052
Fund balance, July 1, 2021	28,984,235	28,984,235	28,984,235	-
Fund balance, June 30, 2022	$ 7,373,766	$ 10,192,466	$ 30,270,518	$ 20,078,052

See note to required supplementary information.

Last 10 Fiscal Years

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 6,189,624	$ 6,375,313	$ 6,566,572	$ 10,148,926	$ 10,521,252
Interest	4,359,219	4,573,330	4,776,856	3,021,151	3,210,076
Change of assumptions	-	1,588,048	8,503,065	812,973	(23,632,073)
Difference between actual and expected experience	-	-	(12,611,580)	-	(3,408,344)
Benefit payments	(4,929,936)	(4,644,091)	(4,644,091)	(2,433,054)	(3,326,191)
Net change in total OPEB liability	5,618,907	7,892,600	2,590,822	11,549,996	(16,635,280)
Total OPEB liability, beginning of year	117,364,770	122,983,677	130,876,277	133,467,099	145,017,095
Total OPEB liability, end of year	$ 122,983,677	$ 130,876,277	$ 133,467,099	$ 145,017,095	$ 128,381,815
Covered employee payroll	$ 250,000,000	$ 282,877,000	$ 279,600,000	$ 303,796,000	$ 271,727,000
Total OPEB liability as a percentage of covered-employee payroll	49.20%	46.27%	47.74%	47.74%	47.25%

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

All years prior to 2018 are not available.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2022

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability	0.325%	0.320%	0.327%	0.317%	0.349%	0.382%	0.354%	0.323%
District's proportionate share of the net pension liability	$ 189,746,000	$ 215,767,000	$ 264,825,000	$ 292,854,000	$ 320,787,000	$ 344,902,000	$ 342,746,000	$ 147,036,000
State's proportionate share of the net pension liability associated with the District	114,578,000	114,117,000	150,775,000	173,251,000	183,666,000	188,168,000	187,308,000	87,484,000
Total net pension liability	$ 304,324,000	$ 329,884,000	$ 415,600,000	$ 466,105,000	$ 504,453,000	$ 533,070,000	$ 530,054,000	$ 234,520,000
District's covered payroll	$ 144,623,000	$ 148,755,000	$ 163,180,000	$ 179,689,000	$ 187,383,000	$ 201,146,000	$ 190,968,000	$ 178,356,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	162.98%	171.19%	171.47%	179.48%	82.44%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

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

All years prior to 2015 are not available.

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2022

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability	0.503%	0.493%	0.474%	0.463%	0.511%	0.536%	0.584%	0.602%
District's proportionate share of the net pension liability	$ 59,175,446	$ 78,908,000	$ 96,785,000	$ 115,735,000	$ 136,278,000	$ 156,309,000	$ 179,220,000	$ 122,430,000
District's covered payroll	$ 54,130,000	$ 59,697,000	$ 59,198,000	$ 61,741,000	$ 50,961,000	$ 77,230,000	$ 84,137,000	$ 88,808,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	109.32%	132.18%	163.49%	187.45%	267.42%	202.39%	213.01%	137.86%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%

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

All years prior to 2015 are not available.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2022

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	$ 13,209,402	$ 17,509,201	$ 22,604,934	$ 27,039,404	$ 32,746,531	$ 35,276,179	$ 34,065,925	$ 35,456,891
Contributions in relation to the contractually required contribution	(13,209,402)	(17,509,201)	(22,604,934)	(27,039,404)	(32,746,531)	(35,276,179)	(34,065,925)	(35,456,891)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 148,755,000	$ 163,180,000	$ 179,689,000	$ 187,383,000	$ 201,146,000	$ 190,968,000	$ 178,356,000	$ 185,638,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**	16.92%***

All years prior to 2015 are not available.

* This rate reflects the original employer contribution rate of 18.13 percent under AB 1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB 1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB90.

*** This rate reflects the original employer contribution rate of 19.10 percent under AB 1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB90.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	$ 7,026,907	$ 7,013,119	$ 8,820,816	$ 7,914,234	$ 13,949,345	$ 17,031,685	$ 18,383,274	$ 20,230,248
Contributions in relation to the contractually required contribution	(7,026,907)	(7,013,119)	(8,820,816)	(7,914,234)	(13,949,345)	(17,031,685)	(18,383,274)	(20,230,248)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 59,697,000	$ 59,198,000	$ 61,741,000	$ 50,961,000	$ 77,230,000	$ 84,137,000	$ 88,808,000	$ 88,303,000
Contributions as a percentage of covered payroll	11.77%	11.85%	14.29%	15.53%	18.06%	19.72%	20.70%	22.91%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General and Charter School Funds are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Schedule of Changes in the Total Liability: The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Schedule of the District’s Proportionate Share of the Net Pension Liability: The Schedule of the District’s Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District’s Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District’s required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rates used for the total OPEB liability were 3.50, 2.20, 2.16, and 3.54 percent at the June 30, 2019, 2020, 2021 and 2022 measurement dates, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 , 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, and 2020 actuarial reports, respectively.

	Measurement Period						
Assumption	As of June 30 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

STOCKTON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Total
ASSETS									
Cash in County Treasury	$ (26,751)	$ 666,450	$ (1,825,079)	$ 8,239,601	$ 769,780	$ 8,487,425	$ 9,089,645	$ 2,763,076	$ 28,164,147
Cash on hand and in banks	1,570,509	2,000	-	328,572	-	-	-	-	1,901,081
Cash in revolving fund	-	520	-	1,560	-	-	-	-	2,080
Cash with Fiscal Agent	-	-	-	-	-	-	-	10,945,634	10,945,634
Receivables	-	162,927	3,580,008	1,457,192	-	-	1,978	-	5,202,105
Due from other funds	-	-	41,163	3,082,161	6,803	500,000	814,990	3,210,000	7,655,117
Stores Inventory	-	-	-	320,152	-	-	-	-	320,152
Total assets	$ 1,543,758	$ 831,897	$ 1,796,092	$ 13,429,238	$ 776,583	$ 8,987,425	$ 9,906,613	$ 16,918,710	$ 54,190,316
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ -	$ 70,525	$ 765,268	$ -	$ 12,567	$ 30,839	$ 531,880	$ -	$ 1,411,079
Unearned revenue	-	-	59,914	-	-	-	835,776	-	895,690
Due to other funds	-	125,946	154,304	1,358,786	-	-	2,913,650	-	4,552,686
Total liabilities	-	196,471	979,486	1,358,786	12,567	30,839	4,281,306	-	6,859,455
Fund balances:									
Nonspendable	-	520	-	321,712	-	-	-	-	322,232
Restricted	1,543,758	634,906	816,606	11,748,740	764,016	8,956,586	5,625,307	16,918,710	47,008,629
Total fund balance	1,543,758	635,426	816,606	12,070,452	764,016	8,956,586	5,625,307	16,918,710	47,330,861
Total liabilities and fund balances	$ 1,543,758	$ 831,897	$ 1,796,092	$ 13,429,238	$ 776,583	$ 8,987,425	$ 9,906,613	$ 16,918,710	$ 54,190,316

STOCKTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Debt Service Fund	Total
Revenues:									
Federal sources	$ -	$ 652,119	$ 9,016,896	$ 18,985,025	$ -	$ -	$ -	$ -	$ 28,654,040
Other state sources	-	4,295,465	9,130,787	4,232,543	-	-	-	-	17,658,795
Other local sources	728,146	31,733	175,497	744,935	-	5,205,946	273,122	10,294	7,169,673
Total revenues	728,146	4,979,317	18,323,180	23,962,503	-	5,205,946	273,122	10,294	53,482,508
Expenditures:									
Current:									
Certificated salaries	-	2,295,422	6,427,285	-	-	-	-	-	8,722,707
Classified salaries	-	593,240	3,790,868	7,491,283	-	-	332,072	-	12,207,463
Employee benefits	-	1,463,975	5,975,010	4,430,477	-	-	182,831	-	12,052,293
Books and supplies	26,751	111,441	544,004	8,175,767	-	31,918	26,668	-	8,916,549
Contract services and operating expenditures	-	682,458	352,633	200,720	-	81,885	650,737	-	1,968,433
Capital outlay	-	-	202,911	-	-	-	2,090,822	-	2,293,733
Other Outgo	-	35,000	-	-	-	-	-	-	35,000
Debt Service									
Prinicipal retirement	-	-	-	-	-	1,280,000	-	-	1,280,000
Interest	-	-	-	-	-	1,339,000	-	-	1,339,000
Total expenditures	26,751	5,181,536	17,292,711	20,298,247	-	2,732,803	3,283,130	-	48,815,178
Excess (deficiency) of revenues over (under) expenditures	701,395	(202,219)	1,030,469	3,664,256	-	2,473,143	(3,010,008)	10,294	4,667,330
Other financing (uses) sources:									
Transfers in	-	-	-	-	-	-	-	1,070,000	1,070,000
Transfers out	-	(180,347)	(681,942)	(13,082)	-	-	-	-	(875,371)
Total other financing (uses) sources	-	(180,347)	(681,942)	(13,082)	-	-	-	1,070,000	194,629
Net change in fund balances	701,395	(382,566)	348,527	3,651,174	-	2,473,143	(3,010,008)	1,080,294	4,861,959
Fund balance, July 1, 2021	842,363	1,017,992	468,079	8,419,278	764,016	6,483,443	8,635,315	15,838,416	42,468,902
Fund balance, June 30, 2022	$ 1,543,758	$ 635,426	$ 816,606	$ 12,070,452	$ 764,016	$ 8,956,586	$ 5,625,307	$ 16,918,710	$ 47,330,861

Stockton Unified School District was established on July 1, 1936. The District operates 39 elementary schools, and 7 secondary schools. The District also operates 2 elementary and 3 secondary charter schools. The District maintains five specialized educational programs, including an adult school. There were no changes in District boundaries during the year.

GOVERNING BOARD

Name	Office	Term Expires
Cecilia Mendez	President	2024
Ray Zulueta	Vice-President	2024
Angelann Flores	Member	2022
Zachary Ignacio Avelar	Member	2022
Scott McBrian	Member	2022
Maria Mendez	Member	2024
Alicia Rico	Member	2024

ADMINISTRATION

Dr. Traci E. Miller
Interim Superintendent

Joann Juarez
Interim Business Official

Wendy DiSimone
Interim Superintendent, Human Resources

Susana Ramirez
Interim Assistant Superintendent, Educational Services

Francine Baird
Assistant Superintendent, Educational Support Services

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2022

	Second Period Report	Annual Report
DISTRICT		
Certificate #:	CEE4668C	924253D9
Elementary:		
Transitional Kindergarten through Third	8,958	9,072
Fourth through Sixth	7,005	7,097
Seventh and Eighth	4,365	4,415
Special Education	141	141
Total Elementary	20,469	20,725
Secondary:		
Ninth through Twelfth	8,404	8,168
Special Education	74	74
Total Secondary	8,478	8,242
	28,947	28,967
CHARTER SCHOOL- CLASSROOM BASED		
Certificate #:	3B015584	B4F356BC
Nightingale Elementary Charter School:		
Elementary:		
Transitional Kindergarten through Third	153	157
Fourth through Sixth	139	141
Seventh and Eighth	75	76
Certificate #:	77FF618C	5DCEA138
Pittman Elementary Charter School		
Elementary:		
Transitional Kindergarten through Third	278	279
Fourth through Sixth	225	225
Seventh and Eighth	120	120
Subtotal Classroom Based	990	998

(Continued)

	Second Period Report	Annual Report
CHARTER SCHOOL- CLASSROOM BASED (Continued)		
Certificate #:	99BBA422	8BD25D9B
Stockton Health Careers Academy		
Secondary:		
Ninth through Twelfth	388	384
Certificate #:	148CAE95	3DF276D8
Pacific Law Academy		
Secondary:		
Ninth through Twelfth	165	164
Certificate #:	CBFE6552	A98D3C59
Stockton Unified Early College Academy		
Secondary:		
Ninth through Twelfth	419	417
Total Classroom Based	1,962	1,963

Grade Level	Statutory Minutes Requirement	2021-2022 Actual Minutes	Number of Days Traditional Calendar	Status
DISTRICT				
Kindergarten	36,000	41,400	180	In Compliance
Grade 1	50,400	51,720	180	In Compliance
Grade 2	50,400	51,720	180	In Compliance
Grade 3	50,400	51,720	180	In Compliance
Grade 4	54,000	54,000	180	In Compliance
Grade 5	54,000	54,000	180	In Compliance
Grade 6	54,000	55,270	180	In Compliance
Grade 7	54,000	55,270	180	In Compliance
Grade 8	54,000	55,270	180	In Compliance
Grade 9	64,800	64,824	180	In Compliance
Grade 10	64,800	64,824	180	In Compliance
Grade 11	64,800	64,824	180	In Compliance
Grade 12	64,800	64,824	180	In Compliance
CHARTER SCHOOLS				
Nightingale Elementary Charter School				
Kindergarten	36,000	54,900	180	In Compliance
Grade 1	50,400	54,000	180	In Compliance
Grade 2	50,400	54,000	180	In Compliance
Grade 3	50,400	54,000	180	In Compliance
Grade 4	54,000	54,000	180	In Compliance
Grade 5	54,000	54,000	180	In Compliance
Grade 6	54,000	54,000	180	In Compliance
Grade 7	54,000	58,500	180	In Compliance
Grade 8	54,000	58,500	180	In Compliance
Pittman Elementary Charter School				
Kindergarten	36,000	54,000	180	In Compliance
Grade 1	50,400	54,000	180	In Compliance
Grade 2	50,400	54,000	180	In Compliance
Grade 3	50,400	54,000	180	In Compliance
Grade 4	54,000	54,000	180	In Compliance
Grade 5	54,000	54,000	180	In Compliance
Grade 6	54,000	54,000	180	In Compliance
Grade 7	54,000	57,600	180	In Compliance
Grade 8	54,000	57,600	180	In Compliance

(Continued)

Grade Level	Statutory Minutes Requirement	2021-2022 Actual Minutes	Number of Days Traditional Calendar	Status
CHARTER SCHOOLS (Continued)				
Stockton Health Careers Academy				
Grade 9	64,800	65,095	180	In Compliance
Grade 10	64,800	65,095	180	In Compliance
Grade 11	64,800	65,095	180	In Compliance
Grade 12	64,800	65,095	180	In Compliance
Pacific Law Academy				
Grade 9	64,800	65,436	180	In Compliance
Grade 10	64,800	65,436	180	In Compliance
Grade 11	64,800	65,436	180	In Compliance
Grade 12	64,800	65,436	180	In Compliance
Stockton Unified Early College Academy				
Grade 9	64,800	65,440	180	In Compliance
Grade 10	64,800	65,440	180	In Compliance
Grade 11	64,800	65,440	180	In Compliance
Grade 12	64,800	65,440	180	In Compliance

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec. 611	13379	$ 7,421,139
84.027A	Special Education: IDEA Mental Health Services, Part B, Sec 611	15321	457,020
84.173	Special Ed: IDEA Preschool Grants, Part B, Sect. 619	13430	114,131
84.173A	Special Ed: Alternate Dispute Resolution, Part B, Sec. 611	13007	16,139
84.173A	Special Ed: IDEA Preschool Staff Development, Part B	13431	1,018
	Subtotal Special Education Cluster		8,009,447
	Adult Education Programs:		
84.002	Adult Education: Adult Basic Education and Education State Leadership (Section 231)	14508	416,352
84.002A	Adult Education: English Literacy & Civics Education	14109	69,177
84.002	Adult Education: Adult Secondary Education (Sec 231)	13978	166,590
	Subtotal Adult Education Programs		652,119
	COVID-19: Education Stabilization Fund (ESF) Programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER I) Fund	15536	6,219,405
84.425	COVID-19: Elementary and Secondary School Relief II (ESSER II) Fund	15547	20,597,024
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	1,086,122
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	542,547
84.425	COVID-19: Governor’s Emergency Education Relief Fund: Learning Loss Mitigation	10148	1,401,278
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	15621	126,972
84.425	COVID-19: ELO Grant: ESSER III State Res. Learning Loss	15564	125,000
84.425	COVID-19: American Rescue Plan-Homeless Children and Youth (ARP - Homeless I)	15564	75,129
84.425	COVID-19: American Rescue Plan-Homeless Children and Youth II (ARP HCY II)	15566	147,681
	Subtotal COVID-19: ESF Programs		30,321,158
	Title I Programs:		
84.010	ESEA: Title I, Part A, Basic Grants Low-Income	14329	15,471,899
84.010	ESEA: School Improvement Funding for LEAs	15438	1,000,293
	Subtotal Title I Programs		16,472,192

(Continued)

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education - Passed through California Department of Education			
84.060	Indian Education (from Federal Government)	10011	$ 41,119
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	455,700
84.181	Special Education: IDEA Early Intervention Grants	24314	67,388
84.126	Department of Rehabilitation: Workability II, Transition Partnership	10006	361,665
84.196	ESEA: Title IX, Part A, McKinney-Vento Homeless Assistance	14332	12,106
84.365	ESEA: Title III, English Learner Student Program	14346	1,135,964
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	1,963,247
84.424	ESEA Title IV, Part A, Student Support and Academic Enrichment Grants	15396	156,497
	Total U.S. Department of Education		59,648,602
U.S. Department of Health and Human Services - Passed through California Department of Education			
93.600	SJCOE Head Start Cluster	10016	9,096,594
93.575	COVID-19: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - CCDF Cluster	15555	315,151
	Total U.S. Department of Health and Human Services		9,411,745
U.S. Department of Defense - Passed through California Department of Education			
12.235	Navy Junior ROTC	*	115,418
U.S. Department of Agriculture - Passed through California Department of Education			
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13396	18,663,548
10.558	Child Nutrition: CACFP Claims-Centers and Family Day Care	13393	313,829
	Total U.S. Department of Agriculture		18,977,377
	Total Federal Programs		$ 88,153,142

* Pass-Through identifying number not available.

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
June 30, 2022 Unaudited Actual Financial Reporting Ending Fund Balance	$ 116,344,424	$ 5,727,087	$ 13,679,596
To record corrective entry for an accrual of expense paid after year-end which should have been recognized as an during the year ended June 30, 2022.*	(1,169,833)	-	-
To record corrective entries for entries incorrectly posted or posted in duplicate for debt service and the Cash in County Treasury account during the year ended June 30, 2022.*	-	3,229,499	5,052,425
June 30, 2022 Audited Financial Statements Ending Fund Balance	$ 115,174,591	$ 8,956,586	$ 18,732,021

* Refer to Finding 2022-001 for a material weakness regarding internal control over financial reporting.

See accompanying notes to supplementary information.

STOCKTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2022
(UNAUDITED)

	(Budget) 2023	2022	2021	2020
General Fund				
Revenues and other financing sources	$ 864,084,013	$ 607,503,518	$ 561,066,393	$ 533,153,209
Expenditures	852,983,506	548,288,781	533,272,732	505,675,556
Other uses and transfers out	500,000	-	814,265	2,043,838
Total outgo	853,483,506	548,288,781	534,086,997	507,719,394
Change in fund balance	$ 10,600,507	$ 59,214,737	$ 26,979,396	$ 25,433,815
Ending fund balance	$ 234,303,110	$ 223,702,603	$ 164,487,866	$ 137,508,470
Available reserves	$ 10,948,265	$ 10,948,265	$ 100,337,704	$ 677,504
Designated for economic uncertainties	$ 10,948,265	$ 10,948,265	$ 100,337,704	$ 677,504
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as percentages of total outgo	1.28%	2.00%	18.79%	0.13%
All Funds				
Total long-term liabilities	$ 977,436,095	$ 998,481,993	$ 1,184,583,761	$ 1,167,673,901
Average daily attendance at P-2, excluding Charter School	30,404	28,947	32,923	32,923

The fund balance of the General Fund has increased by $111,627,948 over the past three years. The fiscal year 2022-2023 budget projects an increase of $10,600,507. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2022, the District has met this requirement. Based on budgeted activity, the District is not expected to meet this requirement for the year ending June 30, 2023. The District is actively engaged in cost-cutting measures and budget revisions to meet this requirement.

The District has incurred operating surpluses in each of the past three years; and anticipates an operating surplus during the fiscal year ending June 30, 2023.

Total long-term liabilities have increased by $169,191,908 over the past two years.

Average daily attendance has decreased by 3,976 over the past two years. The District anticipates a decrease of 1,457 ADA for the 2022-2023 fiscal year.

See accompanying notes to supplementary information.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
1318 - Nightingale Charter School	Included in District Financial Statements
1197 - Pittman Charter School	Included in District Financial Statements
1283 - Health Careers Academy	Included in District Financial Statements
1316 - Pacific Law Academy	Included in District Financial Statements
1083 - Stockton Early College Academy	Included in District Financial Statements
1048 - Aspire Langston Hughes Academy	Separate Report
1552 - Aspire APEX Academy	Separate Report
1553 - Aspire Port City Academy	Separate Report
0554 - Aspire Rosa Parks Academy	Separate Report
2063- Aspire Stockton TK-5	Separate Report
2064 - Aspire Stockton 6-12	Separate Report
2077 - Voices-College Bound Language Academy at Stockton	Separate Report
1027 - Dr. Lewis Dolphin Stallworth Sr. Charter Schools	Separate Report
1142 - Stockton Collegiate Int Elem	Separate Report
1143 - Stockton Collegiate Int Secondary	Separate Report
2109 - KIPP Stockton K-12	Separate Report
1890 - TEAM Charter Academy	Separate Report

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance: Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

Schedule of Expenditure of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Stockton Unified School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2020-21 fiscal year, as required by the State Controller's Office.

Schedule of Charter Schools: This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2022, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Stockton Unified School District
Stockton, California

Report on Compliance with State Laws and Regulations

Opinion on Compliance with State Laws and Regulations

We have audited Stockton Unified School District's (District) compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide) applicable to the state laws and regulations listed below for the year ended June 30, 2022.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course-Based	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes

(Continued)

Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study - charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction - charter schools	No, see below
Annual Instructional Minutes-Classroom Based – charter schools	Yes
Charter School Facility Grant Program	Yes

The District did not offer an Early Retirement Incentive Program in the current audit year; therefore, we did not perform any procedures related to this program.

The District did not operate any Juvenile Court Schools in the current audit year; therefore, we did not perform any procedures related to this program.

The District did not report attendance hours for Apprenticeship: Related and Supplemental Instruction in the current audit year; therefore, we did not perform any procedures related to this program.

The District did not operate as a District of Choice in the current audit year; therefore, we did not perform any procedures related to this program.

The District did not report ADA from Independent Study-Course Based in the current audit year; therefore, we did not perform any procedures related to this program.

The District did not offer Nonclassroom-Based Instruction/Independent Study for Charter Schools, or Determination of Funding for Nonclassroom-Based Instruction for Charter Schools Program; therefore, we did not perform any procedures related to these programs in the current year.

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, Stockton Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2022.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the *2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with state laws and regulations. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on State Laws and Regulations

As described in Findings 2022-004 and 2022-005, 2022-006, 2022-007 in the accompanying Schedule of Audit Findings and Questioned Costs, Stockton Unified School District did not comply with the requirements regarding Independent Study, Classroom Teacher Salaries, Instructional Materials, and Unduplicated Local Control Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for Stockton Unified School District to comply with the requirements applicable to the state laws and regulations referred to above.

(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

Stockton Unified School District's response to the noncompliance findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Stockton Unified School District's responses were not subjected to the auditing procedures applied in the audit of State Compliance and, accordingly, we express no opinion on them.

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
March 15, 2023

Crowe LLP
Independent Member Crowe Global

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

Board of Education
Stockton Unified School District
Stockton, 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 Stockton Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Stockton Unified School District's basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-001 that we consider to be a material weakness.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stockton Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Stockton Unified School District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Stockton Unified School District's response to the findings identified in our audit and described in the accompanying *schedule of findings and questioned costs*. Stockton Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
March 15, 2023

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY UNIFORM GUIDANCE

Board of Education
Stockton Unified School District
Stockton, California

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Stockton Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Stockton Unified School District's major federal programs for the year ended June 30, 2022. Stockton Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on COVID-19: ESF Programs

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Stockton Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *COVID-19: ESF Programs* for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Stockton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Stockton Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Stockton Unified School District's compliance with the compliance requirements referred to above.

(Continued)

Matter Giving Rise to Qualified Opinion on COVID-19: ESF Programs

As described in the accompanying schedule of findings and questioned costs, Stockton Unified School did not comply with requirements regarding *Assistance Listing No. 84.425 COVID-19: ESF Programs as described in finding number 2022-002 for Activities Allowed and Unallowed, and Equipment*. Compliance with such requirements is necessary, in our opinion, for Stockton Unified School District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Stockton Unified School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Stockton Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Stockton Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Stockton Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Stockton Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Stockton Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Stockton Unified School District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Stockton Unified School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

(Continued)

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022 – 002 and 2022 - 003. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding number 2022-002, to be a material weakness.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Stockton Unified School District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Stockton Unified School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Crowe LLP

Crowe LLP

Sacramento, California
March 15, 2023

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X Yes	___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	X Yes	___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes	X None reported

Type of auditors' report issued on compliance for major programs: Qualified: COVID-19: ESF Programs

Unmodified: SJCOE Head Start Cluster

Unmodified: Special Education Cluster

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	___ No

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.425	COVID-19: ESF Programs
93.600	SJCOE Head Start Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$2,644,594	
Auditee qualified as low-risk auditee?	___ Yes	X No

STATE AWARDS

Type of auditors' report issued on compliance for state programs: Qualified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2022-001 MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

Criteria: Management is responsible for the preparation and fair presentation of the District's financial statements, as well as the design, implementation and maintenance of relevant internal controls to ensure the financial statements are free from material misstatement, whether due to fraud or error.

Condition: The following were noted as deficiencies in internal control over financial reporting which collectively were determined to be a material weakness:

- Material adjusting entries were necessary to correctly report the balance of Cash in County Treasury in the District's Bond Interest and Redemption Fund (Fund 51) as of June 30, 2022. Journal entries posted in error by the District resulted in District records not agreeing to the reconciled balances maintained by the San Joaquin County Treasurer and the San Joaquin County Office of Education. These discrepancies were identified through the audit process.
- Material adjusting entries were necessary to correctly report the balance of Cash in County Treasury in the District's Capital Facilities Fund (Fund 25) as of June 30, 2022. Journal entries posted in error by the District resulted in District records not agreeing to the reconciled balances maintained by the San Joaquin County Treasurer and the San Joaquin County Office of Education. These discrepancies were identified through the audit process.
- Material adjusting entries were necessary to correctly report the accounts payable balance in the Building Fund (Fund 21) as of June 30, 2022. Certain invoices received subsequent to year end for services and goods delivered before the fiscal year end were not appropriately captured in the accounts payable balance. These discrepancies were identified through the audit process.
- Material adjusting entries were necessary to correctly report the accounts receivable and accounts payable balances within the Charter School Fund (Fund 9) as of June 30, 2022. Closing and or clean-up entries were posted to accounts receivable account in error, and review of the entries was either insufficient or incomplete, and entries were not corrected prior to completion of the fiscal close. The corrections offset one another, and thus there was no impact to the fund balance of the Charter School Fund. These discrepancies were identified through the audit process.
- Cash in County bank account reconciliations are not being performed in a timely or complete manner, including segregation of duties and investigation of long outstanding variances. This has led to material misstatements in cash balances presented for audit.

Effect: Adjusting journal entries were necessary to report the financial position of the District in accordance with Generally Accepted Accounting Principles, and in accordance with the California School Accounting Manual.

Cause: The District did not establish and follow adequate internal control procedures to ensure debt transactions were recorded in the proper governmental fund of the District. The District did not establish and follow adequate internal control procedures to ensure that expenditure and accounts payable transactions were recorded in the proper fiscal year. Further, the District's financial closing process was not completed in a timely and effective manner, including reconciliations, to ensure that all cash related transactions were properly reflected in the records of the District, in the correct fiscal period.

Recommendation: The District's management team should implement necessary internal controls to ensure the accuracy of financial reporting. As part of the monthly and annual financial close process, the District's management team should ensure that all general ledger accounts, for all District funds, including all cash accounts, are reconciled and adjusted as necessary to ensure accurate financial reporting for the year.

Views of Responsible Officials and Planned Corrective Action Plan: Management concurs with findings. During FY 21-22, business services was impacted by changes in staff. District management will provide new staff members internal control procedure training. In addition, staff will continue to review and reconcile general ledger accounts for all district funds. This includes review of SJCOE posted transactions and timely cash reconciliations.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-002 – MATERIAL WEAKNESS – FEDERAL COMPLIANCE (50000)

Federal Programs: COVID-19 - Elementary and Secondary School Emergency Relief Fund (AL#84.425), COVID-19 - Elementary and Secondary School Relief II Fund (AL#84.425) – collectively referred to herein as “COVID-19 -ESF Programs”.

Criteria: Per the Uniform Guidance Compliance Supplement, established in accordance with 2 CFR Part 200, Subpart F: Sections A. Activities Allowed or Unallowed, and F. Equipment/Real Property Management require that recipients of Federal funds follow applicable specific requirements in connection with the expenditure of the grant fund

Condition: The District entered into an agreement with a third-party vendor for products and services but did not follow applicable written internal control procedures over bidding and board approval or obtain prior approval from the California Department of Education, as required for equipment and real property purchases by the COVID-19 – ESF Programs. The Uniform Guidance compliance also require internal control procedures to be in place and followed in order to demonstrate compliance with the requirements. As a result, the District did not have appropriate internal control procedures in place, nor was the agreement compliant with Uniform Guidance requirements.

Effect: The District did not comply with the necessary requirements for entering into the agreement for the purchase of equipment and real property, therefore resulting in risk of loss of funding for amounts paid under the third-party vendor agreement.

Cause: The District did not follow necessary internal controls for ensuring compliance with the specific program requirements of the Education Stabilization Fund grants it received and expended during the year ended June 30, 2022.

Questioned Cost: $6,604,857

Recommendation: The District’s management team should implement necessary internal controls to ensure compliance with all Federal program requirements. The internal controls should include (1) a procedure identifying which attributes apply to each Federal program operated by the District, and (2) steps to ensure compliance with each attribute identified as applicable.

Views of Responsible Officials and Planned Corrective Action: Management concurs with findings. District management will continue to provide staff members internal control procedure training specifically in the areas of federal procurement. This will ensure adherence to Federal program requirements. Management staff received procurement training in October 2022. Subsequently, in February and March 2023, management provided procurement trainings to sites and departments.

(Continued)

2022-003 – DEFICIENCY – FEDERAL COMPLIANCE (50000)

Federal Programs: SJCOE Head Start Cluster (AL#93.600) – collectively referred to herein as “Head Start”.

Criteria: Per the Uniform Guidance Compliance Supplement, established in accordance with 2 CFR Part 200, Subpart F: Sections A. Activities Allowed or Unallowed, and B. Allowable Costs require that costs charged be supported by appropriate documentation, and correctly charged as to account, amount and period.

Condition: The District was unable to provide supporting documentation for payroll for one employee charged to the Head Start program. The Uniform Guidance compliance also require internal control procedures to be in place and followed in order to demonstrate compliance with the requirements. As a result, the District did not have appropriate internal control procedures in place, nor was the expenditure compliant with Uniform Guidance requirements.

Effect: The District did not comply with the necessary requirements for maintaining supporting documentation for payroll expenditures charged to the program, therefore resulting in risk of loss of funding for amounts paid.

Cause: The District did not follow necessary internal controls for ensuring compliance with the specific program requirements of the Head Start grants it received and expended during the year ended June 30, 2022.

Questioned Cost: Known questioned costs are $12,614 and likely questioned costs are $15,623, totaling $28,237.

Recommendation: The District’s management team should implement necessary internal controls to ensure compliance with all Federal program requirements. The internal controls should include (1) a procedure identifying which attributes apply to each Federal program operated by the District, and (2) steps to ensure compliance with each attribute identified as applicable.

Views of Responsible Officials and Planned Corrective Action: Management concurs with findings. District management will continue to provide staff members internal control procedure training specifically in the areas of federal procurement. This will ensure adherence to Federal program requirements.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-004 – DEFICIENCY – STATE COMPLIANCE – INDEPENDENT STUDY (40000)

Criteria: Pursuant to Education Code Section 51747, no days of attendance are to be reported for dates prior to the signing of the independent study agreement by all parties and the agreement is required to include a beginning and ending date for the independent study agreement. Further, the District is required to maintain work samples from students enrolled in independent study for which attendance is claimed.

Condition: For a sample of 24 students sampled at Adams Elementary, Chavez High School, Hamilton Elementary, Harrison Elementary, Huerta Elementary, El Dorado Elementary, Franklin High School, Jane Fredrick High School, Rio Calaveras Elementary and Stagg High School, attendance was claimed for students for which:

- No independent study agreements were able to be provided for a sample of students.
- A sample of independent study agreements were provided with a beginning date, but no end date for the agreement.
- A sample of independent study agreements were provided that did not contain the signature of the supervising teacher.
- A sample of independent study agreements were provided that did not contain the date of signature by the supervision teacher.
- Work samples were not maintained for a sample of students attending under and independent study agreements.

Effect: The District is out of compliance with independent study attendance requirements.

Cause: The District claimed attendance for students without the proper independent study agreements in place.

Fiscal Impact: The effect of this finding is an overstatement of 11.45 ADA, or approximately $138,000.

Recommendation: The District should ensure independent Study ADA is not claimed until an independent study contract is completed with all required elements. The agreements and adequate work samples should be maintained in a centralized location that is available for reference and audit.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the auditor's recommendation and will continue to provide training to staff who are responsible for documenting independent study agreements and maintaining student work at school sites.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-005 – DEFICIENCY – STATE COMPLIANCE - CLASSROOM TEACHER SALARIES (61000)

Criteria: The District's expenditures related to classroom teacher salaries during the audit year are required to meet or exceed 55% of the total current expense of education in the District's General Fund, as required by Education Code section 41372.

Condition: The District's total current expense of education in the General Fund for the audit year was calculated to be $495,901,038, and classroom teacher salaries totaled $267,160,945. The ratio of classroom teacher salaries to the current expense of education is calculated as 53.87%, which is deficient by 1.13%, or $5,584,626 from the requirement of 55%.

Effect: The District did not comply with the Classroom Teacher Salaries requirements for the year ended June 30, 2022.

Cause: The District did not establish adequate internal controls to ensure that total expenditures for classroom teacher salaries exceeded the minimum required percentage.

Fiscal Impact: Not determined.

Recommendation and Identification as Repeat Finding: This is a repeat finding of Findings 2021-002, 2020-001, and 2019-002 identified during the audits of the years ended June 30, 2021, 2020 and 2019, respectively. The District's management should implement necessary internal controls to ensure that classroom teacher salaries exceed the minimum required percentage of current expense of education in the General Fund.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the fining and will continue to work to implement necessary internal controls to ensure that classroom teacher salaries exceed the minimum required percentage in future reporting periods.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-006 – DEFICIENCY – STATE COMPLIANCE – INSTRUCTIONAL MATERIALS (70000)

Criteria: California Education Code section 60119 requires that each school district governing board hold a public hearing within the eighth week from the first day that pupils attended school for the year prior to making a determination through resolution as to the sufficiency of textbooks or other instructional materials.

Condition: The District did not hold the public hearing required by California Education Code Section 60119(1)(B) regarding the sufficiency of instructional materials, nor was a resolution passed by the governing board regarding the sufficiency of textbooks and other instructional materials for the 2021-22 school year.

Effect: As no public hearing was scheduled or held, nor was a resolution passed, the District is not in compliance with EC section 60119.

Cause: No public hearing was scheduled or held, nor was a resolution passed by the governing board regarding the sufficiency of textbooks or other instructional materials related to the 2021-22 school year.

Fiscal impact: Not determined.

Recommendation: The process for developing the governing board agenda should be modified to ensure the public hearing for discussion of the sufficiency of textbooks or other instructional materials be held within the eighth week of the start of classes and that a subsequent resolution be passed by the governing board to evidence such determination.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding and will continue to work to implement necessary internal controls to ensure that the District meets all compliance requirements for Instructional Materials in future periods.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-007 DEFICIENCY – STATE COMPLIANCE – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Any student who meets the federal income eligibility criteria or is deemed to be categorically eligible for FRPM under the National School Lunch Program (NSLP) will be counted as FRPM-eligible. Except for directly certified and foster students identified through a statewide match, LEAs must submit the appropriate student program (SPRG) records to CALPADS in order for the students to be counted as FRPM-eligible. Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503, 2574(b)(3)(C), 44238.02(b)(3)(B), and 41020, Education Code.

Condition: In testing performed on a sample basis, a total of three (3) students were improperly identified as the Free and Reduced Priced Meal eligible in the District's CALPADS reporting for the 2021-22 school year for purposes of Unduplicated Local Control Funding Formula Pupil Counts. The extrapolated impact of this error is a total of 613 students reported as FRPM eligible on the District's CALPADS reporting for the 2021-22 school year.

		Stockton Unified School District			
Unduplicated pupil count based on:	Enrollment	FRPM	ELAS	Both	TOTAL
As certified on CALPADS	34,023	20,849	1,220	6,748	28,817
Audit Adjustments		(613)	-	-	(613)
Adjusted Counts		20,236	1,220	6,748	28,204

Context: We performed the specific audit procedures enumerated in the State of California 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting and identified an initial error.

Effect: The District is out of compliance with state requirements for Unduplicated Local Control Funding Formula Pupil Counts.

Cause: The condition is the result of clerical errors in accounting and accumulation of date for unduplicated pupil counts in the CALPADS reporting system.

Fiscal Impact: The District's Unduplicated Pupil Percentage for the 2021-22 school year was originally reported at 83.46% and the revised School District Unduplicated Pupil Percentage is reported at 82.86%; the fiscal impact is a reduction of LCFF revenues of approximately $355,360.

Recommendation: The District should ensure that all students are properly reflected in the CALPADS reporting under the appropriate free or reduced-price meal program status.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the recommendation and has implemented processes for ensuring accurate reporting of unduplicated pupil counts are reported in future years.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

2021-001 MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)

Condition: The following areas were noted as deficiencies in internal control over financial reporting which collectively were determined to be a material weakness:

- A material adjusting journal entry was necessary to report total state aid revenue from Local Control Funding Formula (LCFF) for the District's Charter School fund. Management did not post entries to reflect recent activity in the account as part of their year-end close process. Management identified and provided the necessary entries after inquiries made through the audit process.
- Material adjusting journal entries were necessary to correctly report the balance of Cash in County Treasury in District's Bond Interest and Redemption Fund (Fund 51) as of June 30, 2021. Journal entries posted in error by the District resulted in District records not agreeing to the reconciled balances maintained by the San Joaquin County Treasurer and San Joaquin County Office of Education. Management identified and provided the necessary entries after inquiries made through the audit process.

A material adjusting journal entry was necessary to correctly report the balance of Cash with Fiscal Agent in District's the Debt Service Fund (Fund 56) as of June 30, 2021. Management did not post entries to reflect recent activity in the account as part of their year-end close process. Management identified and provided the necessary entries after inquiries made through the audit process

Recommendation: We recommend that the District's management team implement necessary internal controls to ensure the accuracy of financial reporting. As part of a monthly and/or annual financial close, the District's management team should ensure that all general ledger accounts, for all District funds, are reconciled and adjusted as necessary to ensure accurate financial reporting for the year

Current Status: Not implemented, see current year Finding 2022-001.

District Explanation if Not Implemented: The District experienced material weaknesses in internal controls over financial reporting.

2021-002 - DEFICIENCY - CLASSROOM TEACHER SALARIES (61000)

Condition: The District's total current expense of education in the General Fund for the audit year was calculated to be $491,776,137, and classroom teacher salaries totaled $251,756,811. The ratio of classroom teacher salaries to the current expense of education is calculated as 51.19%, which is deficient by 3.81%, or $18,736,671 from the requirement of 55%.

Recommendation and Identification as Repeat Finding: This is a repeat finding of Findings 2020-001 and 2019-002 identified during the audits of the years ended June 30, 2020 and 2019, respectively. The District's management should implement necessary internal controls to ensure that classroom teacher salaries exceed the minimum required percentage, of the current expense of education in the General Fund.

Current Status: Not implemented, see current year Finding 2022-004.

District Explanation if Not Implemented: The District's total current expense of education in the General Fund was again deficient when compared to the required ratio of 55%.

2021-003 - DEFICIENCY – SCHOOL ACCOUNTABILITY REPORT CARD (61000)

Condition: At one district site sampled for testing, teacher assignments and/or vacancy attributes as identified on the site's school accountability report card were not consistent with the supporting documentation provided by management.

Recommendation: The District should ensure that all sites' school accountability report cards are completed appropriately and agree to the supporting information for each relevant reporting area required by Ed Code 33126(b)(8).

Current Status: There were no findings related to testing of school accountability report cards in the current year.

District Explanation if Not Implemented: N/A – implemented.

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF STOCKTON AND THE COUNTY OF SAN JOAQUIN

The following information concerning the City of Stockton (the "City") and the County of San Joaquin (the "County") are presented for information purposes only. The following information has been obtained from the sources referenced as of the dates indicated. These sources are believed to be reliable but the information is not guaranteed as to accuracy or completeness, and is not, and should not be construed as, a representation by the District or the Underwriter. The District comprises only a portion of the County and the Bonds are only payable from *ad valorem* property taxes levied on property in the District. The Bonds are not a debt or obligation of the County.

General

The City of Stockton. The City boundaries encompass 55.1 square miles within California's San Joaquin Valley, located 78 miles east of San Francisco, 345 miles north of Los Angeles, and 45 miles south of Sacramento. The Stockton Metropolitan Statistical Area, which encompasses the entire County, covers approximately 1,400 square miles. The City is a municipal corporation and a charter city, duly organized and existing under the constitution and laws of the State.

San Joaquin County. The County is located in the Central Valley of California, northeast of San Francisco and south of Sacramento. The County is bordered by Sacramento County on the north, Calaveras County on the east, Stanislaus County on the south, and Contra Costa County on the west. The largest cities in the County are Stockton (the county seat), Tracy, Lodi, and Manteca.

Population

The following table shows historical population statistics from 2019 through 2023 for the City as well as the other cities in the County and the County.

POPULATION OF THE CITIES OF THE COUNTY AND THE COUNTY OF SAN JOAQUIN
Calendar Years 2019 through 2023

	2019[1]	2020[2]	2021[2]	2022[2]	2023[2]
Escalon	7,433	7,439	7,439	7,362	7,264
Lathrop	25,332	28,661	29,384	31,331	35,080
Lodi	67,430	66,082	66,145	66,570	66,293
Manteca	83,323	83,470	84,995	86,859	88,803
Ripon	15,588	15,977	16,162	15,979	15,769
Stockton	317,356	323,456	323,884	322,489	319,731
Tracy	94,326	92,893	93,624	94,538	95,615
Balance Of County	153,585	161,255	160,739	159,170	157,590
County Total	764,373	779,233	782,372	784,298	786,145

[1]Based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State.
[2] Based on 2020 Census benchmark and Population Estimates for Cities, Counties, and State.
Source: *California State Department of Finance*.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for 2019 through 2023

PER CAPITA PERSONAL INCOME[(1)]
2019 through 2023

Year	San Joaquin County	State of California	United States
2019	55,534	62,637	52,841
2020	58,141	65,870	55,303
2021	59,914	67,956	56,790
2022	68,971	77,058	64,448
2023	68,912	77,175	65,326

[(1)] Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2016-2021 reflect county population estimates available as of March 2021. These estimates are based on the 2010 census. BEA will incorporate Census Bureau midyear population estimates based on the 2020 census results when they become available
Source*: U.S. Department of Commerce, Bureau of Economic Analysis.*

Employment

The City, County and State civilian labor force figures are shown in the following table for the years 2018 through 2022. The County figures are County-wide and may not necessarily reflect employment trends in the District.

CITY OF STOCKTON, SAN JOAQUIN COUNTY, AND CALIFORNIA
Labor Force, Employment, and Unemployment

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[2]
2018				
City of Stockton	129,500	120,300	9,200	7.1%
San Joaquin County	324,100	304,200	19,900	6.1
California	19,298,500	18,4680,100	821,400	4.3
2019				
City of Stockton	129,700	120,600	9,000	7.0%
San Joaquin County	327,100	307,500	19,600	6.0
California	19,409,400	18,612,600	796,800	4.1
2020				
City of Stockton	132,600	115,100	17,500	13.2%
San Joaquin County	334,300	295,600	38,700	11.6
California	18,931,100	16,996,700	1,934,500	10.2
2021				
City of Stockton	132,100	118,900	13,300	10.0%
San Joaquin County	334,300	305,300	29,000	8.7
California	18,923,200	17,541,900	1,381,200	7.3
2022				
City of Stockton	135,200	127,100	8,100	6%
San Joaquin County	344,400	326,400	18,100	5.2
California	19,252,000	18,440,900	811,100	4.2

(1) Unemployment rate is based on unrounded data.
Source: *California State Employment Development Department*. *March, 2021 Benchmark*

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Industry

Educational and health services are the largest employers in the County followed by professional and business services. The table below shows the estimated employment by industry group for 2017 through 2021.

SAN JOAQUIN COUNTY
(Stockton-Lodi Metropolitan Statistical Area)
EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES
2018 through 2022 by Industry

	2018	2019	2020	2021	2022
Agriculture	15,600	15,400	14,600	13,700	13,700
Mining, Logging, and Construction	12,900	13,200	13,100	13,900	15,100
Manufacturing	20,600	20,600	20,200	20,900	22,600
Wholesale Trade	11,800	11,700	10,600	10,800	11,400
Retail Trade	26,700	26,200	24,600	26,100	26,900
Transportation, Warehousing & Utilities	28,400	31,300	38,800	41,700	48,800
Information	1,800	1,600	1,200	1,200	1,200
Financial Activities	7,800	7,900	7,800	8,000	4,600
Professional and Business Services	19,600	20,200	21,300	22,400	24,100
Educational and Health Services	38,800	39,100	37,300	38,400	39,800
Leisure and Hospitality	22,000	22,600	18,500	21,100	24,500
Other Services	7,600	7,800	6,800	7,100	8,000
Federal Government	3,100	3,200	3,300	3,100	3,100
State Government	6,700	6,800	6,800	6,000	5,500
Local Government	33,700	34,900	33,000	32,800	34,100
Total All Industries	257,000	262,500	257,800	267,100	286,900

Source: *California State Employment Development Department*.

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Major Employers Within the City and the County

The City and County are hosts to a diverse mix of major employers representing industries ranging from health services to technology. The following tables list the City and County's major employers.

CITY OF STOCKTON
2022 MAJOR EMPLOYERS

Employer	Number of Employees	Percent of Total Employment
Stockton Unified School District	5,265	4.04%
Amazon	4,750	3.65
St. Joseph's Medical Center	3,200	2.46
City of Stockton	2,118	1.63
San Joaquin County	1,955	1.50
Pacific Gas and Electric	1,550	1.19
University of the Pacific	1,329	1.02
Lincoln Unified School District	1,125	0.86
Kaiser Permanente	1,065	0.82
San Joaquin Delta College	813	0.62
Total	23,170	17.78%

Source: *City of Stockton Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2022*.

SAN JOAQUIN COUNTY
2023 MAJOR EMPLOYERS

Employer Name	Location	Industry
A Sambado & Sons Inc	Linden	Nuts-Edible
Adventist Health Lodi Memorial	Lodi	Hospitals
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Ashley Lane LP	Stockton	Real Estate
Blue Shield of California	Lodi	Insurance
Dameron Hospital	Stockton	Hospitals
Deuel Vocational Instn Fire	Tracy	Fire Departments
Foster Care Svc	Stockton	Government Offices-County
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County CA Pubc	Stockton	Government Offices-County
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	School Districts
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Regional Health	Stockton	Health Services
Stockton Police Dept	Stockton	Police Departments
Stockton Unified School Dist	Stockton	School Districts
Walmart Supercenter	Stockton	Department Stores
Waste Management-Lodi Transfer	Lodi	Consultants-Business NEC

Source: *California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2023 2nd Edition.*

Commercial Activity

The tables below show the number of permits and taxable transactions in the City and the County between 2018 and 2022, the most recent data available.

CITY OF STOCKTON
Valuation of Taxable Transactions
Fiscal Years 2018 through 2022

Year	Retail Permits	Taxable Transactions-Retail*	Total Permits	Taxable Transactions-Total*
2018	4,094	$3,351,992	6,160	$4,494,043
2019	4,262	3,469,120	6,470	4,741,400
2020	4,797	3,530,284	7,411	4,760,070
2021	4,729	4,580,588	7,347	6,212,657
2022	4,812	4,640,163	7,443	6,724,541

____
* In thousands.
Source: *California Department of Tax and Fee Administration.*

COUNTY OF SAN JOAQUIN
Valuation of Taxable Transactions
Fiscal Years 2018 through 2022

Year	Retail Permits	Taxable Transactions-Retail*	Total Permits	Taxable Transactions-Total*
2018	9,660	$8,855,169	15,437	$13,457,721
2019	9,978	9,073,238	16,144	14,383,854
2020	11,188	10,215,896	18,358	15,752,225
2021	10,642	15,153,915	17,665	22,306,576
2022	10,884	15,342,203	18,100	23,625,470

____
* In thousands.
Source: *California Department of Tax and Fee Administration.*

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2018 through 2022 are shown in the following tables for the County and the City.

BUILDING PERMIT VALUATIONS
San Joaquin County
2018-2022
(Dollars in Thousands)

	2018	2019	2020	2021	2022
Valuation ($000's)					
Residential	$1,077,745	$ 999,653	$ 949,415	$1,398,743	$1,552,427
Non-Residential	1,019,479	926,219	958,358	711,752	1,449,483
Total	$2,097,225	$1,925,873	$1,907,774	$2,110,496	$3,001,911
Units					
Single Family	2,765	2,564	2,843	3,766	3,168
Multiple Family	593	461	245	151	338
Total	3,358	3,025	3,088	3,917	3,506

Note: Totals may not add to sum because of rounding.
Source: *Construction Industry Research Board*.

BUILDING PERMIT VALUATIONS
City of Stockton
2018-2022
(Dollars in Thousands)

	2018	2019	2020	2021	2022
Valuation ($000's)					
Residential	$166,060	$197,939	$159,520	$252,028	$ 297,815
Non-Residential	200,503	305,600	85,696	251,848	718,175
Total	$366,563	$503,540	$245,216	$503,876	$1,015,991
Units					
Single Family	324	302	481	465	497
Multiple Family	0	262	93	18	0
Total	324	564	574	483	497

Note: Totals may not add to sum because of rounding.
Source: *Construction Industry Research Board*.

Transportation

Stockton is located on Interstate 5, the West Coast's major route from Canada to Mexico. The City's Crosstown Freeway connects Interstate 5 with State Route 99, the State's other principal north-south freeway. Other freeway connections provide convenient access to the San Francisco Bay area and Reno. The City is served by long and short-haul trucking firms, as well as by Greyhound and the San Joaquin Regional Transit District. The Port of Stockton, the largest inland deep-water seaport in the State, is served by numerous international shipping companies through the Stockton Channel to the San Francisco Bay. The modern port facility handles dry and liquid bulk commodities and general cargo.

The Stockton Metropolitan Airport is a general aviation airport serving the San Joaquin Valley with passenger and air freight facilities, and provides scheduled passenger service to Las Vegas and Phoenix. Railroad service is provided to the City by Burlington Northern, Santa Fe and the Union Pacific railroads. Daily passenger service by Amtrak is available to San Francisco, Los Angeles and Sacramento.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Stockton Unified School District (the "District") in connection with the execution and delivery of $_______ aggregate principal amount of the District's General Obligation Bonds, 2014 Election, 2023 Series C (Ed-Tech Bonds®) (the "2014 Series C Bonds"), $_______ aggregate principal amount of the District's General Obligation Bonds, 2018 Election, Series C (GO Reauthorization Bonds®) (the "2018 Series C Bonds"), $_______ aggregate principal amount of the District's 2023 General Obligation Refunding Bonds, Series A (the "Series A Refunding Bonds"), and $___________ aggregate principal amount of the District's 2023 General Obligation Refunding Bonds, Series B (the "Tender Refunding Bonds" and, together with the 2014 Series C Bonds, the 2018 Series C Bonds and the Series A Refunding Bonds, the "Bonds"). The 2014 Series C Bonds, the Series A Refunding Bonds and the Tender Refunding Bonds are being issued pursuant to resolutions adopted by the Board of Education of the District on October 24, 2023 and the 2018 Series C Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on November 14, 2023 (collectively, the "Resolutions"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolutions.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Loop Capital Markets LLC (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be Dale Scott & Company, Inc..

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at http://emma.msrb.org/, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated ________, 2023 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2023, which would be due on April 1, 2024, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. 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 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year, or current fiscal year, if available at the time of filing the Annual Report (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted General Fund budget for the current fiscal year or most recent interim report;

(ii) Assessed valuations, as shown on the most recent equalized assessment roll;

(iii) Average Daily Attendance for the District for the last completed fiscal year; and

(iv) Secured tax charges and delinquencies, but only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District which reflect financial difficulties.

(b) 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, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; or

(viii) Incurrence of a financial obligation of the District or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. <u>Termination of Reporting Obligation</u>. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. <u>Dissemination Agent</u>. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the

Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: ______, 2023

STOCKTON UNIFIED SCHOOL DISTRICT

By:____

Superintendent

ACCEPTANCE OF DUTIES AS DISSEMINATION AGENT:

DALE SCOTT & COMPANY, INC.

By: ____________________________________

Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Stockton Unified School District

Name of Issue: $________ General Obligation Bonds, 2014 Election, 2023 Series C (Ed-Tech Bonds®);
$________ General Obligation Bonds, 2018 Election, Series C (GO Reauthorization Bonds®);
$________ 2023 General Obligation Refunding Bonds, Series A; and
$________ 2023 General Obligation Refunding Bonds, Series B;

Date of Issuance: __________, 2023

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated __________, 2023. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

SAN JOAQUIN COUNTY INVESTMENT POLICY STATEMENT

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SAN JOAQUIN COUNTY

2023 Investment Policy

Submitted by
Phonxay Keokham, CPA
Treasurer-Tax Collector

Approved by the Board of Supervisors on
November 29, 2022

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1.0 INVESTMENT POLICY

The Investment Policy establishes the criteria for the prudent investment of pool participants' surplus treasury funds and outlines the policies for maximizing the efficiency of the San Joaquin County (County) cash management system. In addition, the Investment Policy governs the deposit, safekeeping, and investment of all funds under the control of the County Treasurer (Treasurer), as well as all related transactions and investment activities. It does not apply to bond funds or other affiliated public agency assets that reside outside of the County's Investment Pool.

The Investment Policy shall be reviewed annually by the Treasurer with the Treasury Oversight Committee. Any modifications made thereto must be approved by the County Board of Supervisors and adopted by resolution. No person may engage in an investment transaction except as provided under the terms of the Investment Policy. The Treasurer shall establish written Investment Policy procedures.

2.0 OBJECTIVE

The objective of the Investment Policy is to enhance the economic status of all Investment Pool participants while protecting their surplus treasury funds. The County operates its investment program under the "Prudent Investor Standard" set forth by Government Code Section 53600.3. This affords the County a broad spectrum of investment opportunities provided that the investment is deemed prudent and is allowable under current legislation of the State of California.

The criteria and priority for selecting investments are as follows:

(a) Safety. Safety of principal is the foremost objective of the County's investment program. The safety and risk associated with an investment refers to the potential loss of principal and/or interest. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the Investment Pool.

(b) Liquidity. Liquidity refers to the ability to access cash at any time with minimal risk of losing some portion of principal or interest. The Investment Pool will remain sufficiently liquid to enable the County to meet all anticipated operating requirements. Liquidity is an important investment quality considering an unanticipated need for funds may arise.

(c) Yield. Yield is the potential dollar earnings that an investment can provide and is also referred to as the rate of return. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

3.0 DELEGATION OF AUTHORITY

The County Board of Supervisors, as permitted under Government Code 53607, delegates the responsibility to invest or reinvest the funds of the County or to sell or exchange securities so purchased to the Treasurer who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of the Treasurer.

4.0 GENERAL CONSTRAINTS

The following criteria represents the general framework within which the County's Treasury investment program shall be conducted:

(a) The laws of the State of California and the Prudent Investor Standard shall be the primary standards by which all County Treasury investments are transacted.

(b) Surplus treasury fund management and investment transactions are the responsibility of the Treasurer.

(c) The Treasurer strives to maintain the level of investment of all funds as near 100 percent as possible through daily projections and cash flow forecasting.

(d) The basic premise underlying the Investment Policy is to ensure that the pooled funds are always safe and available when needed.

(e) Surplus treasury funds are all funds which are not required to meet the bank's demands on the Treasury to redeem warrants or cover other County disbursement obligations on any given day.

5.0 CONSTRAINTS SET BY GOVERNMENT CODE

Government Code Sections 53601 and 53635 impose restrictions on the investments of government entities. All such restrictions are to be adhered to in their entirety. In addition, the Treasurer may impose further restrictions to investments if the Treasurer deems such action appropriate. The following section lists the only authorized investments of the County.

6.0 AUTHORIZED INVESTMENTS

The County's authorization to invest is limited to the securities categorized below. All securities must be U.S. dollar denominated. The restrictions specified in Government Code Sections 53601 and 53635 apply unless otherwise stated. Authorized investments are as follows:

(a) United States Treasury Bills, Notes, and Bonds (Maximum of 100%)

United States Treasury Bills, Notes, and Bonds for which the full faith and credit of the United States are pledged for the payment of principal and interest. Zero Coupon issues of these types of investments are authorized. There is no percentage limit on the total dollar amount that may be invested in this category.

(b) State Obligations and California Local Agency Bonds (Maximum of 100%)

Registered Treasury Notes, Bonds or Warrants as defined in Government Code Section 53601. There is no percentage limit on the total dollar amount that may be invested in this category.

(c) Obligations issued by A Federal Agency or a U.S. Government Sponsored Enterprise (GSE) (Maximum of 100%)

Federal Agency or GSE obligation, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government are authorized. There is no percentage limit on the total dollar amount that may be invested in this category.

(d) Banker's Acceptances (Maximum of 40%)

Bills of Exchange or Time Drafts (referred to as Banker's Acceptances). Banker's Acceptances may not exceed 40 percent of the Investment Pool and no more than 30 percent may be invested in the Banker's Acceptances of one commercial bank. The limit for each issuer may be specified in the Treasurer's "Approved Banker's Acceptance Issues".

(e) Commercial Paper (Maximum of 30%)

Commercial Paper is an unsecured, short-term debt instrument issued by a corporation. Commercial Paper must have the highest categories of a nationally recognized statistical rating organization (NRSRO). The maximum maturity is 270 days. The limit for each issuer is specified in the Treasurer's "Commercial Paper Approved List". Commercial Paper may not exceed 30 percent of the Investment Pool.

(f) Time Deposits (Maximum of 30%)

Certificates of Deposits issued by nationally or state-chartered bank, savings association, federal association, or state-licensed branch of a foreign bank. The bank must have a branch or office in the County. The bank must have a rating in the highest or second highest categories of an NRSRO. The limit for each issuer is specified in the Treasurer's "Approved Negotiable Certificates of Deposit List." The collateralization level will be 110 percent of market value for Certificate of Deposits. The maximum maturity is one year. Certificate of Deposits may not exceed 30 percent of the Investment Pool.

(g) Repurchase Agreements (Maximum of 100%)

Term repurchase agreements may be collateralized by either U.S. Treasury securities or by any U.S. Federal Agency security.

Regardless of maturity, repurchase agreements must be collateralized at 102 percent (market value plus accrued interest). Repurchase agreements shall only be made with dealers with assets in excess of $500 million and having either the highest commercial paper rating, of A or higher rating for the issuer's debt, if any, as provided by a NRSRO. There is no percentage limit on the total dollar amount that may be invested in this category.

All Repurchase Agreements with brokers/dealers will be done through a "Tri-Party Custodian Agreement" that has been approved, in writing, by the Treasurer.

All Repurchase Agreements with commercial banks will be governed by a Public Securities Association (PSA) agreement that has been approved, in writing, by the Treasurer.

(h) Medium Term Notes (Maximum of 30%)

Corporate Debentures (Medium Term Notes) that have a rating in the highest or second highest categories of a NRSRO. Medium Term Notes must be issued by corporations organized and operating within the United States. The maximum maturity of such issues is three years. Floaters of the above issues are authorized as long as the maximum maturity does not exceed three years. Medium Term Notes may not exceed 30 percent of the Investment Pool.

(i) Mutual Funds (Maximum of 20%)

Mutual Funds, as defined in Government Code Section 53601 that consist only of those investments authorized by the Investment Policy. Mutual Funds may not exceed 20 percent of the Investment Pool. A thorough investigation of the fund is required prior to investing and due diligence must be conducted on an annual basis.

(j) Specific Securities (Maximum per Approval)

Specific securities as specified in the ordinance, resolution, indenture, or agreement for monies pledged to the payment or security of bonds or other indebtedness as governed by Government Code Section 53601(m) must receive written approval from the Treasurer.

(k) Bank Deposits (Maximum of 10%)

Bank Deposits are interest-bearing active deposits in a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company. These deposits must be properly collateralized at 110 percent in accordance with Government Code Section 53652. Deposits with any one depository may not exceed 10 percent of the Investment Pool.

(l) Joint Powers Authority Programs (Maximum of 30%)

Managed investment pools pursuant to Government Code Section 53601(p) for which shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. Joint Powers Authority Programs may not exceed 30 percent of the Investment Pool. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

(m) Supranationals (Maximum of 10%)

U.S. Dollar denominated senior unsecured unsubordinated obligations which are rated in a rating category of "AA" or its equivalent by one NRSRO at time of purchase, issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, and eligible for purchase and sale within the U.S. Supranationals may not exceed 10 percent of the Investment Pool.

(n) Local Agency Investment Fund

Local Agency Investment Fund (LAIF) of the State of California is an investment alternative created pursuant to Government Code Section 16429.1 for California's local governments and special districts. LAIF purchases securities under the authority of Government Code Section 16430 and 16480.4. The Treasurer may invest up to the maximum amount permitted by LAIF.

7.0 DIVERSIFICATION

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in an overconcentration of assets in a specific maturity, issuer, or class of security. Diversification strategies shall be established by the Treasurer and periodically reviewed.

8.0 MATURITY STRUCTURE

To the extent possible, investments shall be made to match anticipated cash flow requirements. A minimum of 25 percent of the entire Investment Pool shall mature within 60 days to provide sufficient liquidity for expected disbursements. If for any reason the Investment Pool is not in compliance with the minimum maturity percentage, all new investments will be restricted to a maturity of 60 days or less until compliance is restored. No investment shall be made in any security with a maturity greater than five years unless it is approved by the Board of Supervisors.

Annually, the Treasurer must give written approval for authorized staff to purchase securities with a maturity of one year or longer.

9.0 DEALER APPROVAL

All financial institutions used for the placement of investments must be approved by the Treasurer in writing. The creditworthiness of all financial institutions will be reviewed by the Treasurer. The Treasurer will maintain a list of approved financial institutions authorized to provide investment services to the County.

The Treasurer will not approve any broker, brokerage, dealer, or securities firm that has, within the past two years, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for these offices.

All brokers are provided with the updated Investment Policy on an annual basis.

10.0 COMPETITIVE BIDDING

Bids for any investment shall be taken from a minimum of two banks or broker/dealers. Awards will be made to the highest offer, giving consideration to safety, liquidity, a balanced investment pool, and diversification. If two bids for a similar investment security are unavailable, then the second bid may be for another investment security with a similar maturity.

11.0 SWAPS AND TRADES

Securities may be swapped and traded for other eligible securities after calculating the gain between the buy and sell candidates in the transaction and approval by the Treasurer.

12.0 LOSSES

Generally, losses are acceptable on a sale before maturity and may be taken if reinvested proceeds will prevent the potential of a greater loss, provide increased liquidity, or earn a higher yield. Approval by the Treasurer is required.

13.0 SAFEKEEPING

Securities purchased from broker/dealers shall be held in third party safekeeping by the trust department of the County's bank or other designated third party custodian and in the County's name. The third party custodian shall be required to issue a safekeeping statement listing specific instrument, rate, maturity, and other pertinent information. No securities will be held by the broker/dealer from whom they were purchased.

Safekeeping of Repurchase Agreements is stipulated in the section titled "Authorized Investments".

14.0 CONFIRMATION

All investment confirmations are to be reviewed for conformity with the original transaction. Discrepancies are to be reported to the Treasurer.

15.0 INTERNAL CONTROLS

The Treasurer shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. The Treasurer shall also be responsible for ensuring that all investment transactions comply with the Investment Policy and Government Codes.

The Treasurer shall establish a process for daily, monthly, quarterly, and annual reviews and the monitoring of investment program activity. Daily, the Treasurer or authorized Treasury personnel shall review the investment activity, as well as corresponding custodial and commercial bank balances and positions for compliance with the Investment Policy and guidelines. The County Auditor-Controller’s Office or the contracted external auditor shall conduct an annual audit of the investment program’s activities.

16.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with investment risk constraints and cash flow needs.

The Treasurer’s investment strategy is both passive and active. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be to identify a comparable benchmark to the investment duration. (i.e. 90-day U.S. Treasury Bill, six-month U.S. Treasury Bill, Average Fed Funds Rate). Benchmarks may be modified over time based on changes in market conditions or cash flow requirements.

17.0 CREDIT FOR INTEREST EARNINGS

Interest earnings from the Investment Pool shall be credited to participating entities each quarter. The credit is computed based on the average daily cash balance of funds on deposit during the quarter in the County Treasury.

In accordance with Government Code Section 27013, authorized costs of investing, depositing, banking, auditing, reporting or otherwise handling or managing funds will be deducted from the total interest earnings prior to the interest earnings apportionment.

18.0 DIRECTED INVESTMENTS

The Treasurer may allow special directed investments for Tax and Revenue Anticipation Note (TRANs) proceeds or other special purposes. The Treasurer will work with the entity to make a single directed investment. For proceeds between $10 million and $50 million, that investment will be in a U.S. Treasury Bill. For proceeds in excess of $50 million, the investment can be in either a U.S. Treasury Bill or a U.S. Treasury Note. Upon the maturity of the investment, all funds will be deposited into the Investment Pool. Any funds from the TRANs sale, not included in the investment, will be placed in the Investment Pool. The charge for the investment will be $5,000, which is estimated to cover the actual expenses of the offices of the Treasurer and the County Auditor-Controller. These expenses may include paying agent, safekeeping, establishing of entity funds, tracking, and recording the investment. The Treasurer may negotiate a different charge if it is cost justified and appropriate. Directed investments will be separate from the Investment Pool.

19.0 OUTSIDE AGENCIES

Local agencies not required to deposit funds with the County may place funds in the Investment Pool with the approval of the Treasurer. All agencies must comply with this Investment Policy. It is anticipated that most funds will be withdrawn from the Investment Pool by a warrant. Wire transfers must be arranged with the Treasurer.

20.0 WITHDRAWALS

The Treasurer requires 24-hour notice on withdrawals of $1 million to $10 million, a seven-day notice on withdrawals between $10 million and $25 million, and a 30-day notice for amounts exceeding $25 million. The Treasurer also reserves the right to work with any agency on the timing of a withdrawal exceeding $10 million if that withdrawal might affect the stability or predictability of cash flow in the County Treasury. The Treasurer may refuse any withdrawal above $25 million which may negatively impact the stability and predictability of cash flow in the County Treasury. The Treasurer may reduce or waive the required notice.

21.0 REPORTING

The Treasurer shall provide a monthly report to the County Board of Supervisors, County Administrator, County Auditor-Controller, and the County Treasury Oversight Committee itemizing all Treasury investments by investment type, institution, date of maturity, amount of investment, rate of interest, and current market value. Securities will be valued based on information from either the trustee, broker, the Wall Street Journal, or other sources approved by the Treasurer. The market value for Certificates of Deposit, Repurchase Agreements of less than 30 days, LAIF, and Joint Powers Authority Programs, will be at cost. The report will include the weighted average maturity of the investments in the Treasury Pool, and a statement denoting the ability of the local agency to meet its expenditure requirements for the next six months.

22.0 COUNTY TREASURY OVERSIGHT COMMITTEE

The County Treasury Oversight Committee (Committee) will review and monitor the Investment Policy on an annual basis. The Committee shall require an annual audit to be conducted to determine the County Treasury's compliance with the law and the Investment Policy.

The Committee shall not direct individual investment decisions, select individual investment advisors, brokers, dealers, or impinge on the day-to-day operations of the County Treasury.

A member may not be employed by an entity that has contributed to the campaign of a candidate for the office of local Treasurer or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury, in the previous three years or during the period that the employee is a member of the Committee (Government Code Section 27132.1).

A member may not directly or indirectly raise money for a candidate for local Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee (Government Code Section 27132.2).

A member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the Treasurer is doing business during the period that the person is a member of the Committee or for one year after leaving the Committee (Government Code Section 27132.3).

Committee meetings shall be open to the public and subject to the Ralph M. Brown Act.

23.0 INDEMNIFICATION

The standard of care to be used by the County's officers or employees in all investment transactions shall be the Prudent Investor Standard (Government Code Section 53600.3), which is expanded as follows:

> When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

The above criteria are established as the standard for professional responsibility and shall be applied in the context of managing the Investment Pool. Investment officers acting in accordance with the Investment Policy shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

24.0 ETHICS AND CONFLICT OF INTEREST

No officer, employee, or member of the Committee may directly or indirectly accept or solicit from any person, corporation, or group having a business relationship with the Treasurer or Treasury-related functions, any rebate, kickback, or anything of an economic value as a gift, gratuity, or honoraria.

No officer or employee of the Treasurer shall, outside of working hours, engage in any profession, trade, business, or occupation, which is incompatible or involves a conflict of interest with his/her duties as a County officer or employee.

Investment officials shall refrain from personal business activity that may conflict with proper execution and management of the Investment Policy and the investment program or which could impair their ability to make impartial decisions. Investment officials must provide public disclosure required under Government Code Section 87203, et seq.

The Treasurer and designated employees must annually file a Form 700 (Statement of Economic Interest) in accordance with the County's Conflict-of-Interest Code.

25.0 BUSINESS CONTINUITY PLAN

In the event the Treasurer or authorized staff is unable to conduct normal business operations, the Treasurer has an agreement with the custody bank for a daily sweep of surplus funds into an interest-bearing account as well as the ability to transfer additional funds to money market and liquid accounts until normal operations are restored. Treasurer-imposed restrictions pertaining to investment type, investment amount, and investment percentages, as stated in the Investment Policy, will be temporarily suspended to allow for continued operations.

GLOSSARY

Accrued Interest: The amount of interest that is earned but unpaid (not yet received) since the last interest payment date.

Banker's Acceptance (BA): A highly-liquid draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker: A broker brings buyers and sellers together for a transaction for which the broker receives a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Collateral: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Commercial Paper (CP): The short-term unsecured debt of corporations.

Credit Risk: The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Custodian: A bank or other financial institution that keeps custody of stock certificates and other assets.

Dealer: A dealer, as opposed to a broker, acts as a principal in security transactions buying and selling securities for his own account.

Discount Note: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value.

Diversification: Dividing investment funds among a variety of securities offering independent returns to avoid excessive exposure to any one source of risk.

Government Sponsored Enterprise (GSE): A type of financial services corporation created by the Federal Government to facilitate borrowing in specific sectors. GSE bonds carry the implicit backing of the Federal Government.

Interest: The amount earned while owning a debt security and generally calculated as a percentage of the principal amount.

Internal Controls: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met.

Investment Policy: A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment Pool: A portfolio with funds combined from more than one entity.

Joint Powers Agreements (JPA): Entities created under Government Code 6509.7 that allow two or more public agencies to jointly exercise common powers and issue shares of beneficial interest to the participating public agencies and may invest in securities and obligations as described by subdivision (p) of Government Code Section 53601.

Liquidity: The speed and ease with which an asset can be converted to cash without substantial loss of value.

Local Agency: County, city, city & county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

Local Agency Investment Fund (LAIF): The LAIF is an investment alternative for California's local government and special districts authorized under Government Code Sections 16429.1. The LAIF is managed by the State Treasurer's Office, with oversight by the Local Agency Investment Advisory Board. All securities in LAIF are purchased under the authority of Government Code Sections 16430 and 16480.4. The State Treasurer's Office receives all securities on a delivery versus payment basis using a third party custodian. All securities are purchased at market, with market valuation conducted monthly.

Market Value: The price at which a security can be traded.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase or reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: The final date upon which the principal or stated value of a security becomes due and payable.

Medium Term Notes (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term notes" refers to the time it takes for an obligation to mature and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. MTNs issued by banks are also called "bank notes."

Money Market: The market in which short-term debt instruments (Treasury Bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

Mutual Funds: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Nationally Recognized Statistical Rating Organization (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation, Moody's Investor Services, Inc., Fitch Investors Service, Duff & Phelps Investment Service, Thompson BankWatch, and International Bank Credit Analyst.

Par: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond.

Portfolio: A collection of securities held by an investor.

Price: The amount of monetary consideration required by a willing seller and a willing buyer to sell an investment on a particular date.

Prudent Investor Standard: A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

Principal: The face value or par value of an investment.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on the bond or the current income return.

Rating: Various alphabetical and numerical designations used by institutional investors, Wall Street underwriters, and commercial rating companies use to give relative indications of bond and note creditworthiness.

Repurchase Agreement (RP or REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities at a later date at a specified price that includes interest for the buyer's holding period. In essence, this is a collateralized investment whereby the security "buyer" lends the "seller" money for the period of the agreement.

Risk: The uncertainty of maintaining the principal or interest associated with an investment due to a variety of factors.

Rule G-37 of the Municipal Securities Rulemaking Board: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

Safekeeping: A service to bank customers whereby securities are held for protection by the bank in the customer's name.

Safety: In the context of investing public funds, safety relates to the preservation of principal of an investment in an investment portfolio; local agencies address the concerns of safety by controlling exposure to risks.

Supranational: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

Swap: A swap is any financial transaction that involves the simultaneous purchase of a security and the sale of another for the purpose of enhancing an investor's portfolio. Swap transactions of interest to California public investors include portfolio swaps and interest rate swaps.

Tax and Revenue Anticipation Notes (TRANs): Notes issued in anticipation of receiving tax proceeds or other revenues at a future date.

Treasury Bills: Non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

Treasury Notes: Interest-bearing obligations of the U.S. Treasury with maturities ranging from two to 10 years from date of issue.

Treasury Bonds: Interest-bearing obligations issued by the U.S. Treasury with maturities that range from 10 to 30 years from date of issue.

U.S. Government Agency Securities: Government sponsored obligations, participation, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

U.S. Treasury Securities: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The U.S. Treasury issues both discounted securities and fixed coupon notes and bonds.

Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

Yield: The annual rate of return on a debt investment computed as though held to maturity expressed in percentages.

Zero-Coupon Bonds/U.S. Treasury Strips: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. "Zeros" or "strips" mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

APPENDIX F

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 the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), 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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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.

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 (or the Paying Agent on behalf thereof) 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).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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 the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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, transfer and exchange 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 office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the 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 only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered 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 any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX C

SOLICITATION FEE PAYMENT REQUEST

with respect to the
Invitation to Tender Bonds dated November 16, 2023
by
Stockton Unified School District
General Obligation Bonds, Election of 2012 Series A GO Reauthorization Bonds®
General Obligation Refunding Bonds, Series 2014A (Tax Exempt)
2016 General Obligation Refunding Bonds

The Stockton Unified School District (the "***District***") has agreed to pay, or cause to be paid, to (i) any commercial bank or trust company having an office, branch or agency in the United States, and (ii) any firm which is a member of a registered national securities exchange or of the Financial Industry Regulatory Authority (each, an "***Eligible Institution***"), a solicitation fee of $1.25 per $1,000 on the principal amount of the above-captioned general obligation bonds of the District ("***Bonds***") purchased by the District from each Retail Customer, pursuant to the Invitation to Tender Bonds, dated November 16, 2023 (the "***Offer***"). A "***Retail Customer***" is (i) an individual who owns no more than $250,000 in principal amount of Bonds and manages his or her own investments or (ii) an individual who owns no more than $250,000 in principal amount of Bonds whose investments are managed by an investment manager or bank trust department that holds the investments of that individual in a separate account in the name of that individual.

Eligible Institutions must submit to the Information Agent requests for payment of solicitation fees on a Solicitation Fee Payment Request Form no later than 5:00 p.m. on the next business day following the Expiration Date (the Expiration Date is presently set for December 1, 2023), unless earlier terminated or extended. No solicitation fee will be paid on requests received after this time.

No solicitation fee will be paid on requests submitted on an improperly completed Solicitation Fee Payment Request Form. Electronic copies of the completed Solicitation Fee Payment Request Forms may be submitted via email to the Information Agent and Tender Agent at rstevens@globic.com. FAILURE TO COMPLETE ALL SECTIONS WILL RESULT IN NONPAYMENT. EACH SOLICITATION FEE PAYMENT REQUEST FORM MUST BE ELECTRONICALLY SIGNED BY A REGISTERED REPRESENTATIVE.

Each completed Solicitation Fee Payment Request Form constitutes a representation by the representative completing such form that such representative is a registered employee of such firm, which is an Eligible Institution, that such representative personally solicited the offer from such firm's Retail Customer and, with respect to any tender offer, such representative has reviewed this transaction with their Retail Customer, and on behalf of such firm, such representative requests payment of the resulting solicitation fee.

Each completed Solicitation Fee Payment Request Form constitutes a representation that (i) in making solicitations to Retail Customers, such representative and Eligible Institution did not use any materials other than the Offer, (ii) such Eligible Institution is entitled to the requested solicitation fee under the terms and conditions described herein, and (iii) if such Eligible Institution is a foreign broker or dealer not eligible for membership in FINRA, such Eligible Institution has agreed to conform to FINRA's Rules of Fair Practice in making a solicitation outside the United States to the same extent as though it was a FINRA member.

All questions as to the validity, form and eligibility (including the time of receipt) of the Solicitation Fee Payment Request Form will be determined by the District, in its sole discretion, which determination will be final, conclusive and binding. None of the District, the Dealer Manager, the Information Agent or any other person is under any duty to give notification of any defects or irregularities in any Solicitation Fee Payment Request Form and none of such parties shall incur any liability for failure to give any such notification.

SOLICITATION FEE PAYMENT REQUEST FORM

As described in the Offer, the District will pay a soliciting dealer fee of $1.25 per $1,000 of up to the first $250,000 in principal amount of Bonds that is validly tendered and accepted for payment to soliciting dealers that are "Eligible Institutions" and appropriately designated by their Retail Customer clients to receive such fee. *The soliciting dealer fee will only be paid to a designated Eligible Institution for each Retail Customer that submits Bonds with an aggregate principal amount of no more than $250,000*. In order to be eligible to receive the soliciting dealer fee, this form, properly completed, must be received by the Information Agent and Tender Agent no later than 5:00 p.m., New York City time, on the next business day following the Expiration Date of the Tender Offer. The District reserves the right to audit any soliciting dealer to confirm *bona fide* submission of this form. The District shall, in its sole discretion, determine whether a soliciting dealer has satisfied the criteria for receiving a soliciting dealer fee (including, without limitation, the submission of the appropriate documentation without defects or irregularities and in respect of *bona fide* tenders). Such soliciting dealer fee will be paid within a reasonable amount of time after the Settlement Date. The District will not reimburse a soliciting dealer for any expenses it incurs in connection with the Offer. No brokerage commissions are due or payable by bondowners to the Dealer Manager, the Information Agent and Tender Agent, or the District. *Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Offer.*

Name of Firm: ____

DTC Participant Number: ____

Authorized Contact: ____

Telephone Number of Broker: ____

Address of Broker:____

E-Mail: ____

Signature:_________________________________ Date:____

MEDALLION STAMP BELOW

Deliver this executed Solicitation Fee Payment Request Form to the Information Agent and Tender Agent prior to the next business day following the Expiration Date.

<u>SCHEDULE OF BONDS SUBJECT TO THE SOLICITATION TERMS</u>

Please complete the following.

<u>**If available, please submit your schedule as formatted below in MS Excel**</u>

Please follow the same line headers as listed below. Schedules may be e-mailed to rstevens@globic.com with the completed Solicitation Fee Payment Request Form attached or to follow.

CUSIP	**Par Amount**	**VOI Number**	**Client Name/Accounts #** ***(Optional)***
	TOTAL		

SOLICITATION FEE PAYMENT INSTRUCTIONS

Please choose payment delivery method.

Delivery Via Check ☐

Issue Check to:____

Name of Firm: ____

Attention: ____

Address: ____

Phone Number:____

Taxpayer Identification: ___________ ____________________________________

Delivery Via Wire ☐

Bank Name:	________________________
City, State:	________________________
ABA or Bank Number:	________________________
Swift Code:	________________________
Accounts Name:	________________________
Accounts Number:	________________________
Re:	________________________
Taxpayer ID Number:	________________________

The acceptance of compensation by such soliciting dealer constitutes a representation by it that (1) it has complied with applicable requirements of the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder, in connection with such solicitation for tender of Bonds by Retail Customers; (2) it is entitled to such compensation for such solicitation under the terms and conditions of the Offer; (3) in soliciting a tender of Bonds, it has used no solicitation materials other than the Offer furnished by the District; (4) it has complied with all instructions from the Dealer Manager in connection with the Offer; and (5) if it is a foreign broker or dealer not eligible for membership in the Financial Industry Regulatory Authority (the "***FINRA***"), it has agreed to conform to the FINRA's Rules of Fair Practice in making solicitations outside the United States.