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

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH 5, 2020**

**NEW ISSUE – BOOK ENTRY ONLY**

**RATING: Moody's: "Aa2"**
**(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. See "TAX MATTERS" herein.*

# $20,000,000*
# ALTA LOMA SCHOOL DISTRICT
# (San Bernardino County, California)
# GENERAL OBLIGATION BONDS, 2016 ELECTION, 2020 SERIES C

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

The Alta Loma School District (San Bernardino County, California) General Obligation Bonds, 2016 Election, 2020 Series C (the "Bonds") are being issued by the Alta Loma School District (the "District") to (i) finance the acquisition, construction, furnishing and equipping of District facilities and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECTS." The Bonds were authorized at an election within the District held on November 8, 2016 (the "Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $58,000,000 aggregate principal amount of general obligation bonds of the District (the "Authorization"). The Bonds are the third and final series of general obligation bonds to be issued under the Authorization and are issued on a parity basis with all other outstanding general obligation bonds of the District.

The Bonds are general obligations of the District only and are not obligations of the County of San Bernardino (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 as to certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. See ''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 Wells Fargo Bank, 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.

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**MATURITY SCHEDULE**
On Inside Cover

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**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, San Diego, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, San Diego, California, is acting as Disclosure Counsel for the District. Certain matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Denver, Colorado. 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 March 26, 2020.*

STIFEL

The Date of this Official Statement is: _____, 2020.

* Preliminary; subject to change.

**MATURITY SCHEDULE**

**$_____**
**Alta Loma School District**
**(San Bernardino County, California)**
**General Obligation Bonds,**
**2016 Election, 2020 Series C**

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | CUSIP[1] (021321) |
|---|---|---|---|---|

$_____ ____% Term Bonds due August 1, 20__; Yield _____%, CUSIP[1] 021321

[1] Copyright 2020, 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 Underwriter take any responsibility for the accuracy of such CUSIP number.

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**ALTA LOMA SCHOOL DISTRICT**
**San Bernardino County, State of California**

**Board of Trustees**

Rebecca Davies, *President*
Caryn Payzant, *Vice President*
Dave Roberts, *Clerk*
Brad Buller, *Member*
Sandie Oerly, *Member*

**District Administrators**

James Moore, *Superintendent*
Steve Thomas, Ed.D., *Associate Superintendent, Administrative Services*
Lori Thompson, *Associate Superintendent, Educational Services*

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Dannis Woliver Kelley
*San Diego, California*

**Financial Advisor**

Fieldman, Rolapp & Associates, Inc.
*Irvine, California*

**Paying Agent, Transfer Agent and Registration Agent**

Wells Fargo Bank, National Association
*Minneapolis, Minnesota*

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No dealer, broker, salesperson or other person has been authorized by the Alta Loma 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 Bernardino, the County of San Bernardino 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 BERNARDINO COUNTY POOLED INVESTMENT FUND."

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.

**$20,000,000[*]**
**ALTA LOMA SCHOOL DISTRICT**
**(San Bernardino County, California)**
**General Obligation Bonds,**
**2016 Election, 2020 Series C**

## 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 and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

The Alta Loma School District (the "District") proposes to issue $20,000,000[*] aggregate principal amount of its General Obligation Bonds, 2016 Election, 2020 Series C (the "Bonds") under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of not more than $58,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 8, 2016 (the "Election"). The District previously issued its $20,000,000 General Obligation Bonds, 2016 Election, 2017 Series A on May 23, 2017 and $18,000,000 General Obligation Bonds, 2016 Election, 2019 Series B on May 9, 2019 under the Authorization. Subsequent to the issuance of the Bonds, no additional general obligation bonds[*] will remain for issuance pursuant to the Authorization.

Proceeds from the sale of the 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 PROJECTS" herein.

### Registration

Wells Fargo Bank, National Association will act as the initial registrar, transfer agent and 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 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, a school district of the State of California (the "State"), was established as an elementary school district in 1885, and provides education for children from kindergarten through eighth grade. The District operates eight elementary schools providing kindergarten through sixth grade educational services, and two middle schools providing seventh and eighth grade educational services. The District encompasses approximately 25 square miles in the northern portion of the City of Rancho Cucamonga, a small portion of the City of Upland and unincorporated areas of the County of San Bernardino (the "County"). The District is located in the western portion of the County, approximately 40 miles east of Los Angeles and 19 miles west of the City of San Bernardino.

The District's projected average daily attendance ("ADA") for fiscal year 2019-20 is 5,827 students and the District has a 2019-20 total assessed valuation of $7,345,983,028. The District's audited

[*] Preliminary; subject to change.

financial statements for the fiscal year ended June 30, 2019 are attached hereto as APPENDIX B. For further information concerning the District, see the caption "ALTA LOMA SCHOOL DISTRICT" herein

**Sources of Payment for the Bonds**

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. 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, San Diego, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Wells Fargo Bank, National Association, Minneapolis, Minnesota is acting as registrar, transfer agent and paying agent for the Bonds. Zions Bancorporation, National Association, Los Angeles, California is acting as costs of issuance custodian for the Bonds. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley, Fieldman, Rolapp & Associates, Inc., Wells Fargo Bank, National Association and Zions Bancorporation, National Association will receive compensation from the District contingent upon the sale and delivery of the Bonds. Kutak Rock LLP will receive compensation from the Underwriter 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 March 26, 2020.

## THE BONDS

**Authority for Issuance**

The Bonds are general obligations of the District. The 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 of California (the "Government Code") (commencing with Section 53506) and pursuant to a resolution of the Board of Trustees of the District adopted on March 4, 2020 (the "Resolution").

**Purpose of Issue**

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the Election, which includes replacing or repairing deteriorating roofs, plumbing, electrical and air conditioning systems; improving access for students and families with disabilities; improving school safety and security systems; updating and modernizing classrooms to keep pace with educational technology and supporting student programs in science, technology, English, arts, and math. See "THE PROJECTS" 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.

**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.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by Wells Fargo Bank, National Association, as 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 Bonds is payable commencing August 1, 2020, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date"). 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 rates 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 (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered prior to the close of business on July 15, 2020, 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 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 Bonds maturing on or before August 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2028 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, 2027 at a redemption price equal to the par amount to be redeemed, plus accrued interest to the date of redemption, without premium.

***Mandatory Redemption***. The 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 |
|---|---|

In the event that a portion of the Bonds maturing on August 1, 20__ is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced

[*] Preliminary; subject to change.

proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount of such Bonds optionally redeemed.

**Selection of Bonds for Redemption**

If less than all of the Bonds shall be called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, on a proportional basis. Within a maturity, the Paying Agent shall select the Bonds for redemption as directed by the District, and, in lieu of such direction by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of five thousand dollars ($5,000) or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by five thousand dollars ($5,000).

**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 45 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, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. 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 Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of and interest and any premium due 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 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**

If the Bonds are no longer in book-entry-only form, 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 Interest and Sinking 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 noncallable 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 Code and 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 or redemption thereof, including any premium and 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 Resolution with respect to such Outstanding Bonds 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 Resolution.

**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") 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* | |
| Principal Amount of Bonds | |
| Net Original Issue Premium | |
| Total Sources | |
| *Uses of Funds* | |
| Deposit to Building Fund | |
| Deposit to Interest and Sinking Fund | |
| Costs of Issuance[(1)] | |
| Total Uses | |

(1) Includes Underwriter's discount, Bond and Disclosure Counsel fees, financial advisory fees, paying agent fees, rating agency fees and other costs of issuance.

### Application of Proceeds

The net proceeds from the sale of the Bonds (other than premium) shall be paid to the County to the credit of the Alta Loma School District Building Fund (the "Building Fund") established pursuant to the Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the Projects (as described below). Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the Interest and Sinking Fund. Earnings on the investment of moneys in either the Building Fund or the Interest and Sinking Fund will be retained in the respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Interest and Sinking Fund 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 Building Fund and the Interest and Sinking Fund will be invested by the County Treasurer. See "SAN BERNARDINO COUNTY POOLED INVESTMENT FUND" herein.

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## DEBT SERVICE SCHEDULE

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

## DEBT SERVICE ON THE BONDS

| Bond Year Ending August 1 | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| Total | | | |

The following table summarizes the annual debt service payments for all of the District's outstanding bonds, comprising the General Obligation Bonds, 1999 Election, Series A (the "1999 Series A Bonds"), the General Obligation Bonds, 1999 Election, Series B (the "1999 Series B Bonds"), the General Obligation Bonds, 2016 Election, 2017 Series A (the "2016 Series A Bonds") the General Obligation Bonds, 2016 Election, 2019 Series B (the "2016 Series B Bonds") and the Bonds, assuming no optional redemption.

**DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS**

| Bond Year Ending August 1 | 1999 Series A Bonds | 1999 Series B Bonds | 2016 Series A Bonds | 2016 Series B Bonds | The Bonds | Total Debt Service |
|---|---|---|---|---|---|---|
| 2020 | $2,450,000.00 | $692,010.00 | $1,910,850.00 | $1,243,550.00 | | |
| 2021 | 2,500,000.00 | 720,000.00 | 814,850.00 | 1,957,300.00 | | |
| 2022 | 2,550,000.00 | 775,000.00 | 855,850.00 | 1,259,300.00 | | |
| 2023 | 2,600,000.00 | 825,000.00 | 883,600.00 | 738,300.00 | | |
| 2024 | 2,650,000.00 | 900,000.00 | 914,600.00 | 772,300.00 | | |
| 2025 | -- | 2,400,000.00 | 948,600.00 | 804,900.00 | | |
| 2026 | -- | 2,475,000.00 | 980,350.00 | 841,100.00 | | |
| 2027 | -- | -- | 1,012,950.00 | 874,350.00 | | |
| 2028 | -- | -- | 1,050,200.00 | 910,600.00 | | |
| 2029 | -- | -- | 1,084,700.00 | 949,600.00 | | |
| 2030 | -- | -- | 1,126,450.00 | 991,100.00 | | |
| 2031 | -- | -- | 1,164,950.00 | 1,039,850.00 | | |
| 2032 | -- | -- | 1,207,100.00 | 1,080,350.00 | | |
| 2033 | -- | -- | 1,249,350.00 | 1,127,850.00 | | |
| 2034 | -- | -- | 1,290,150.00 | 1,171,850.00 | | |
| 2035 | -- | -- | 1,338,150.00 | 1,223,250.00 | | |
| 2036 | -- | -- | 1,382,950.00 | 1,276,650.00 | | |
| 2037 | -- | -- | 1,429,550.00 | 1,331,850.00 | | |
| 2038 | -- | -- | 1,482,750.00 | 1,383,650.00 | | |
| 2039 | -- | -- | 1,530,750.00 | 1,442,050.00 | | |
| 2040 | -- | -- | 1,588,500.00 | 1,501,750.00 | | |
| 2041 | -- | -- | 1,640,250.00 | 1,568,750.00 | | |
| 2042 | -- | -- | 1,701,000.00 | 1,638,750.00 | | |
| 2043 | -- | -- | -- | 2,557,250.00 | | |
| 2044 | -- | -- | -- | 2,656,500.00 | | |
| Total | $12,750,000.00 | $8,787,010.00 | $28,588,450.00 | $32,342,750.00 | | |

## SECURITY FOR THE BONDS

### General

The Bonds are general obligations of the District, and 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.

The District received authorization to issue $58,000,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 8, 2016. The Bonds are the third series of bonds issued under the Authorization. Subsequent to the issuance of the Bonds, no additional general obligation bonds* will remain for issuance under the Authorization.

### 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

* Preliminary; subject to change.

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 Resolution, 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, premium, if any, 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 Resolution. 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.

## THE PROJECTS

The District intends to apply the net proceeds of the Bonds to finance safety and security upgrades, technology infrastructure, and classroom renovation in accordance with the bond proposition approved at the Election which includes the 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 the 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 Bonds, which was then submitted to the voters at the Election (the "Project List"). The District will prioritize and may not undertake to complete all components of the Project List.

## 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 County 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 County 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 table presents the historical assessed valuation in the District since fiscal year 1999-00. The District's total assessed valuation is $7,345,983,028 for fiscal year 2019-20.

**ALTA LOMA SCHOOL DISTRICT**
**Summary of Assessed Valuations**
**Fiscal Years 1999-00 Through 2019-20**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | Annual % Change |
|---|---|---|---|---|---|
| 1999-00 | $2,820,392,292 | $0 | $40,637,657 | $2,861,029,949 | -- |
| 2000-01 | 2,910,727,065 | 0 | 45,504,000 | 2,956,231,065 | 3.33% |
| 2001-02 | 3,090,574,926 | 0 | 47,352,546 | 3,137,927,472 | 6.15 |
| 2002-03 | 3,337,291,305 | 0 | 55,644,781 | 3,392,936,086 | 8.13 |
| 2003-04 | 3,626,582,874 | 287,861 | 54,391,329 | 3,681,262,064 | 8.50 |
| 2004-05 | 4,001,843,421 | 311,340 | 57,083,934 | 4,059,238,695 | 10.27 |
| 2005-06 | 4,385,980,154 | 0 | 60,793,239 | 4,446,773,393 | 9.55 |
| 2006-07 | 4,895,565,797 | 0 | 67,144,749 | 4,962,710,546 | 11.60 |
| 2007-08 | 5,335,771,323 | 0 | 66,067,902 | 5,401,839,225 | 8.85 |
| 2008-09 | 5,457,044,248 | 0 | 78,745,845 | 5,535,790,093 | 2.48 |
| 2009-10 | 5,108,749,360 | 0 | 72,770,856 | 5,181,520,216 | (6.40) |
| 2010-11 | 5,055,002,676 | 0 | 62,311,058 | 5,117,313,734 | (1.24) |
| 2011-12 | 5,118,357,545 | 0 | 60,193,398 | 5,178,550,943 | 1.20 |
| 2012-13 | 5,256,247,117 | 0 | 60,043,482 | 5,316,290,599 | 2.66 |
| 2013-14 | 5,455,032,837 | 0 | 58,316,561 | 5,513,349,398 | 3.71 |
| 2014-15 | 5,825,479,407 | 0 | 56,140,219 | 5,881,619,626 | 6.68 |
| 2015-16 | 6,081,183,430 | 0 | 54,946,060 | 6,136,129,490 | 4.33 |
| 2016-17 | 6,341,846,017 | 0 | 49,856,947 | 6,391,702,964 | 4.17 |
| 2017-18 | 6,670,839,430 | 0 | 48,836,056 | 6,719,675,486 | 5.13 |
| 2018-19 | 6,990,710,944 | 0 | 51,272,308 | 7,041,983,252 | 4.80 |
| 2019-20 | 7,295,615,000 | 0 | 50,368,028 | 7,345,983,028 | 4.32 |

*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, 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."

***Recent California Drought Conditions and Wildfires.*** Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor

announced the end of the State-wide drought in all but Fresno, Kings, Tulare and Tuolumne Counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. According to the U.S. Drought Monitor, as of March, 2019, California is not currently experiencing any drought conditions.

Additionally, in 2017 and 2018, 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. The District was not impacted by the wildfires.

The District cannot make any representation regarding the effects that the drought or fire conditions has had, or may have on the value of taxable property within the District, or to what extent drought or fire could cause disruptions to agricultural production, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

**Reassessments 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. County Assessors may independently reduce assessed values as well based upon the factors described in the paragraph above or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as 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.

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

**Assessed Valuation by Jurisdiction**

The table below sets forth the assessed valuation within the District by political jurisdiction for fiscal year 2019-20.

**ALTA LOMA SCHOOL DISTRICT**
**2019-20 Assessed Valuation by Jurisdiction**

| Jurisdiction: | Assessed Valuation in District | % of District | Assessed Valuation of Jurisdiction | % of Jurisdiction in District |
|---|---|---|---|---|
| City of Rancho Cucamonga | $7,256,974,373 | 98.79% | $27,642,340,160 | 26.25% |
| City of Upland | 39,120,453 | 0.53 | 9,820,386,020 | 0.40 |
| Unincorporated County | 49,888,202 | 0.68 | 35,611,532,309 | 0.14 |
| Total District | $7,345,983,028 | 100.00 | | |
| San Bernardino County | $7,345,983,028 | 100.00% | $237,014,054,031 | 3.10% |

*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 for fiscal year 2019-20.

**ALTA LOMA SCHOOL DISTRICT**
**2019-20 Assessed Valuation and Parcels by Land Use**

| Non-Residential: | 2019-20 Assessed Valuation [1] | % of Total | No. of Parcels | % of Total |
|---|---|---|---|---|
| Agricultural/Rural | $ 66,297 | 0.00% | 21 | 0.12% |
| Commercial/Office | 220,019,240 | 3.02 | 110 | 0.65 |
| Industrial | 18,847,902 | 0.26 | 24 | 0.14 |
| Government/Social/Institutional | 7,238,944 | 0.10 | 30 | 0.18 |
| Miscellaneous | 642,229 | 0.01 | 23 | 0.14 |
| Subtotal Non-Residential | $246,814,612 | 3.38% | 208 | 1.22% |
| **Residential:** | | | | |
| Single Family Residence | $6,320,426,217 | 86.63% | 14,588 | 85.75% |
| Condominium | 206,461,763 | 2.83 | 1,003 | 5.90 |
| Mobile Home | 20,154,478 | 0.28 | 457 | 2.69 |
| Mobile Home Park | 42,313,704 | 0.58 | 7 | 0.04 |
| 2-4 Residential Units | 37,114,994 | 0.51 | 76 | 0.45 |
| 5+ Residential Units/Apartments | 335,425,157 | 4.60 | 38 | 0.22 |
| Miscellaneous Residential | 1,518,138 | 0.02 | 5 | 0.03 |
| Subtotal Residential | $6,963,414,451 | 95.45% | 16,174 | 95.07% |
| Vacant Parcels | $85,385,937 | 1.17% | 630 | 3.70% |
| Total | $7,295,615,000 | 100.00% | 17,012 | 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 2019-20, including the median and average assessed value per single family parcel.

**ALTA LOMA SCHOOL DISTRICT**
**Per Parcel 2019-20 Assessed Valuation of Single Family Homes**

| | No. of Parcels | 2019-20 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| Single Family Residential | 14,588 | $6,320,426,217 | $433,262 | $383,576 |

| 2019-20 Assessed Valuation | No. of Parcels [1] | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $49,999 | 45 | 0.308% | 0.308% | $1,674,807 | 0.026% | 0.026% |
| $50,000 - $99,999 | 349 | 2.392 | 2.701 | 26,420,457 | 0.418 | 0.445 |
| $100,000 - $149,999 | 433 | 2.968 | 5.669 | 54,638,930 | 0.864 | 1.309 |
| $150,000 - $199,999 | 962 | 6.594 | 12.264 | 172,773,291 | 2.734 | 4.043 |
| $200,000 - $249,999 | 1,513 | 10.372 | 22.635 | 341,589,780 | 5.405 | 9.447 |
| $250,000 - $299,999 | 1,602 | 10.982 | 33.617 | 440,693,855 | 6.973 | 16.420 |
| $300,000 - $349,999 | 1,453 | 9.960 | 43.577 | 470,802,249 | 7.449 | 23.869 |
| $350,000 - $399,999 | 1,363 | 9.343 | 52.920 | 510,527,240 | 8.077 | 31.946 |
| $400,000 - $449,999 | 1,352 | 9.268 | 62.188 | 574,722,244 | 9.093 | 41.039 |
| $450,000 - $499,999 | 1,186 | 8.130 | 70.318 | 562,620,226 | 8.902 | 49.941 |
| $500,000 - $549,999 | 940 | 6.444 | 76.762 | 492,028,281 | 7.785 | 57.725 |
| $550,000 - $599,999 | 704 | 4.826 | 81.588 | 403,804,350 | 6.389 | 64.114 |
| $600,000 - $649,999 | 544 | 3.729 | 85.317 | 339,246,193 | 5.367 | 69.482 |
| $650,000 - $699,999 | 432 | 2.961 | 88.278 | 291,142,637 | 4.606 | 74.088 |
| $700,000 - $749,999 | 358 | 2.454 | 90.732 | 258,514,388 | 4.090 | 78.178 |
| $750,000 - $799,999 | 292 | 2.002 | 92.734 | 225,541,124 | 3.568 | 81.747 |
| $800,000 - $849,999 | 170 | 1.165 | 93.899 | 139,955,912 | 2.214 | 83.961 |
| $850,000 - $899,999 | 142 | 0.973 | 94.872 | 124,009,459 | 1.962 | 85.923 |
| $900,000 - $949,999 | 119 | 0.816 | 95.688 | 110,224,467 | 1.744 | 87.667 |
| $950,000 - $999,999 | 108 | 0.740 | 96.429 | 105,347,992 | 1.667 | 89.334 |
| $1,000,000 and greater | 521 | 3.571 | 100.000 | 674,148,335 | 10.666 | 100.000 |
| Total | 14,588 | 100.000% | | $6,320,426,217 | 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 2019-20.

**ALTA LOMA SCHOOL DISTRICT**
**2019-20 Largest Total Secured Taxpayers**

| | Property Owner | Primary Land Use | 2019-20 Assessed Valuation | % of Total[(1)] |
|---|---|---|---|---|
| 1. | INL Lemon 2017 LLC | Apartments | $ 76,500,000 | 1.05% |
| 2. | RH Park Alta Loma Owner LLC | Apartments | 68,822,460 | 0.94 |
| 3. | Sunridge Pines Alta Loma LLC | Apartments | 67,782,062 | 0.93 |
| 4. | Carefree Communities CA LLC | Mobile Home Park | 36,974,797 | 0.51 |
| 5. | NNC Waterstone Alta Loma LLC | Apartments | 27,219,986 | 0.37 |
| 6. | CVRC Company LLC | Shopping Center | 22,839,856 | 0.31 |
| 7. | Alta Loma Real Estate LLC | Apartments | 19,141,744 | 0.26 |
| 8. | Vons Companies Inc. | Shopping Center | 18,897,446 | 0.26 |
| 9. | LDC Terra Vista Village LLC | Shopping Center | 18,251,591 | 0.25 |
| 10. | Merrill Gardens at Rancho Cucamonga | Assisted Living Facility | 17,796,200 | 0.24 |
| 11. | Hometown Ramona Villa LLC | Mobile Home park | 16,479,936 | 0.23 |
| 12. | PSS Rancho Haven LLC | Industrial | 16,000,000 | 0.22 |
| 13. | Don Miguel Investors Ltd. | Apartments | 14,767,275 | 0.20 |
| 14. | Ventas Valencia LP | Assisted Living Facility | 14,176,040 | 0.19 |
| 15. | Casa La Veta Associates | Apartments | 10,980,075 | 0.15 |
| 16. | CCI Haven RC LLC | Commercial | 9,062,017 | 0.12 |
| 17. | Carnelian Plaza LLC | Shopping Center | 9,007,882 | 0.12 |
| 18. | WP Alta Loma Holdings LLC | Assisted Living Facility | 8,744,354 | 0.12 |
| 19. | Time Warner Cable Pacific West LLC | Communications | 8,536,380 | 0.12 |
| 20. | Sunscape West LLC | Apartments | 7,585,383 | 0.10 |
| | | | $489,565,484 | 6.71% |

(1) 2019-20 local secured assessed valuation: $7,295,615,000
*Source: California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2019-20 account for 6.71% of the secured assessed value in the District which is $7,295,615,000. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2019-20 was INL Lemon 2017 LLC accounting for 1.05% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 0.94% 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 typical tax rates levied in Tax Rate Area 15-004 by the County within the District for fiscal years 2015-16 through 2019-20:

**ALTA LOMA SCHOOL DISTRICT**
**Typical Tax Rate per $100 Assessed Valuation**
(TRA 15-004[1])

| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| General Tax Rate | $1.000000 | $1.000000 | $1.000000 | $1.000000 | $1.000000 |
| Alta Loma School District | .041700 | .040800 | .056400 | .068000 | .065300 |
| Chaffey Union High School District | .040900 | .031900 | .027900 | .040200 | .037500 |
| Chaffey Community College District | .011300 | .011600 | .008800 | .015300 | .024100 |
| Metropolitan Water District | .003500 | .003500 | .003500 | .003500 | .003500 |
| Total Tax Rate | $1.097400 | $1.087800 | $1.096600 | $1.127000 | $1.130400 |

(1) 2019-20 assessed valuation of TRA 15-004 is $1,616,743,018 which is 22.01% 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.

**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.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of February 1, 2020:

**ALTA LOMA SCHOOL DISTRICT**
**Direct and Overlapping Bonded Indebtedness**

2019-20 Assessed Valuation: $7,345,983,028

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 2/1/2020 |
|---|---|---|
| Metropolitan Water District | 0.237% | $ 113,879 |
| Chaffey Community College District | 6.092 | 20,474,603 |
| Chaffey Union High School District | 11.596 | 56,417,665 |
| **Alta Loma School District** | **100.000** | **40,974,945**[1] |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $117,981,092 |
| OVERLAPPING GENERAL FUND DEBT: | | |
| San Bernardino County General Fund Obligations | 3.099% | $ 7,410,949 |
| San Bernardino County Pension Obligation Bonds | 3.099 | 7,351,220 |
| San Bernardino County Flood Control District General Fund Obligation | 3.099 | 1,771,233 |
| Chaffey Community College District Certificates of Participation | 6.092 | 1,853,796 |
| City of Rancho Cucamonga General Fund Obligations | 26.253 | 3,201,553 |
| City of Upland General Fund Obligations | 0.398 | 27,960 |
| West Valley Vector Control District Certificates of Participation | 8.360 | 185,717 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | $21,802,428 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): | | $9,222,801 |
| COMBINED TOTAL DEBT | | $149,006,321[2] |

(1) Excludes Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

**DIRECT DEBT ($40,974,945) 0.56%**

Total Direct and Overlapping Tax and Assessment Debt .....1.61%
Combined Total Debt.....2.03%

Ratio to Redevelopment Incremental Valuation ($447,712,619):
Total Overlapping Tax Increment Debt .....2.06%

*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.*

### 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, with full implementation in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system.

***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 schools 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 2019-20, the base rates per unit of A.D.A. for each grade span are as follows: (i) $8,563 for grades K-3; (ii) $7,818 for grades 4-6; (iii) $8,050 for grades 7-8; and (iv) $9,572 for grades 9-12. 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 cost-of-living-adjustments is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

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 50% 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 ADA and enrollment for fiscal years 2012-13 through 2019-20.

**ALTA LOMA SCHOOL DISTRICT**
**Historical ADA and Enrollment**
**Fiscal Years 2012-13 through 2019-20**

| Fiscal Year | ADA | Enrollment |
|---|---|---|
| 2012-13 | 5,878 | 6,082 |
| 2013-14 | 5,813 | 6,004 |
| 2014-15 | 5,703 | 5,917 |
| 2015-16 | 5,701 | 5,906 |
| 2016-17 | 5,749 | 5,988 |
| 2017-18 | 5,763 | 5,940 |
| 2018-19 | 5,807 | 6,001 |
| 2019-20[(1)] | 5,827 | 6,028 |

[(1)] Based on fiscal year 2019-20 Second Interim Report.
*Source: The District.*

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The following table sets forth the ADA, enrollment and the percentage of EL/LI enrollment for fiscal year 2018-19, budgeted for fiscal year 2019-20 and projections for fiscal years 2020-21 and 2021-22.

**ALTA LOMA SCHOOL DISTRICT**
**ADA, English Language/Low Income Enrollment**
**Fiscal Years 2018-19 through 2021-22**

| | ADA | | | | Enrollment | |
|---|---|---|---|---|---|---|
| Fiscal Year | K-3 | 4-6 | 7-8 | Total ADA | Total Enrollment | % of EL/LI Enrollment |
| 2018-19 | 2,583 | 1,854 | 1,370 | 5,807 | 6,001 | 97% |
| 2019-20[(1)] | 2,581 | 1,912 | 1,328 | 5,827 | 6,028 | 97 |
| 2020-21[(2)] | 2,612 | 1,892 | 1,274 | 5,778 | 5,983 | 97 |
| 2021-22[(2)] | 2,638 | 1,880 | 1,282 | 5,800 | 6,006 | 97 |

[(1)] Based on fiscal year 2019-20 Second Interim Report.
[(2)] Projected.
*Source: The District.*

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the 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 a basic aid district, 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 every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

***Support and Intervention***. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts 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.

**Revenue Sources**

The District categorizes its general fund revenues into four sources. Each of these revenue sources is briefly described below.

***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.

The following table presents the District's percentage of general fund revenue by source.

**ALTA LOMA SCHOOL DISTRICT**
**Percentage of Revenue by Source**
**Fiscal Years 2016-17 through 2019-20**

| Revenue Source | 2016-17 | 2017-18 | 2018-19 | 2019-20[(1)] |
|---|---|---|---|---|
| LCFF sources | 79.1% | 80.0% | 76.3% | 80.9% |
| Federal revenues | 2.5 | 2.3 | 2.3 | 3.3 |
| Other State revenues | 8.4 | 8.2 | 11.8 | 7.4 |
| Other local revenues | 10.0 | 9.4 | 9.6 | 8.4 |

(1) Based on fiscal year 2019-20 Second Interim Report.
*Source: The District.*

**Developer Fees**

The District ceased collecting developer fees in 2009 as a result of declining enrollment although the District currently has approximately $10,961 in past developer fee collections remaining unspent.

**Potential Decline in State Revenues**

A recent global outbreak of Coronavirus Disease ("COVID-19") is causing volatility in financial markets in 2020. While the impacts may be temporary, the outbreak appears to be altering the behavior of businesses and people in a manner that may have negative impacts on global and local economies, including the economy of the State. Under the 2019-20 State Budget (defined below), about 70% of the

State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20.

As noted in the table above under "-Revenue Sources," the District receives the large majority of its revenues from LCFF Sources which are comprised of local property taxes and State moneys. Should the State experience a decline in revenue resulting from the impacts of COVID-19, there may be a resulting decline in revenue available for funding school districts. In response to the outbreak of Covid-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency. The declaration is intended to make additional resources available, formalize emergency actions underway across multiple State agencies and departments, and assist the State in preparing for the spread of COVID-19.

The District expects the COVID-19 outbreak to escalate locally within California but cannot predict the extent or duration of the outbreak or what impact it may have on District 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.

**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 August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the State Superintendent 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 September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8,

will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

***General Fund Budget.*** The District's general fund adopted budgets for fiscal years 2015-16 through 2019-20, audited actuals for the fiscal years 2015-16 through 2018-19 and projected financial results for fiscal year 2019-20 based upon the second interim report are set forth on the following page.

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## ALTA LOMA SCHOOL DISTRICT
## GENERAL FUND BUDGETING

| | Adopted Budget 2015-16[1] | Audited Actuals 2015-16[1] | Adopted Budget 2016-17[1] | Audited Actuals 2016-17[1] | Adopted Budget 2017-18[1] | Audited Actuals 2017-18[1] | Adopted Budget 2018-19[1] | Audited Actuals 2018-19[1] | Adopted Budget 2019-20[2] | Second Interim Report 2019-20[3] |
|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | | |
| LCFF Sources | $42,443,642 | $43,175,191 | $45,257,156 | $45,379,053 | $46,825,207 | $47,094,157 | $50,068,253 | $50,570,641 | $52,604,524 | $52,576,953 |
| Federal | 1,707,898 | 1,717,845 | 1,430,628 | 1,442,193 | 1,503,713 | 1,373,789 | 1,501,081 | 1,499,610 | 1,708,851 | 2,132,923 |
| Other State | 1,506,392 | 6,641,422 | 2,876,877 | 4,890,946 | 1,733,817 | 4,852,265 | 3,495,463 | 7,882,326 | 2,117,531 | 4,812,109 |
| Other Local | 4,399,669 | 5,428,839 | 4,587,023 | 5,779,850 | 4,383,781 | 5,505,518 | 4,519,113 | 6,310,026 | 4,501,601 | 5,488,016 |
| **Total Revenues** | 50,057,601 | 56,963,297 | 54,151,684 | 57,492,042 | 54,446,518 | 58,825,729 | 59,583,910 | 66,262,603 | 60,932,507 | 65,010,001 |
| **EXPENDITURES** | | | | | | | | | | |
| Current | | | | | | | | | | |
| Certificated Salaries | 22,658,722 | 23,024,577 | 23,550,024 | 24,210,744 | 25,409,553 | 25,692,222 | 26,515,331 | 27,153,209 | 28,391,484 | 29,480,725 |
| Classified Salaries | 7,427,998 | 7,724,519 | 8,019,857 | 8,385,890 | 8,398,955 | 8,968,088 | 9,101,273 | 9,520,580 | 9,666,055 | 10,022,678 |
| Employee Benefits | 11,603,341 | 13,140,103 | 12,353,762 | 14,402,238 | 13,091,647 | 14,950,848 | 14,541,426 | 18,646,570 | 14,557,089 | 17,240,312 |
| Books and Supplies | 1,615,328 | 1,826,643 | 2,885,091 | 3,091,757 | 2,722,502 | 2,114,042 | 3,632,266 | 2,549,734 | 3,982,610 | 5,123,476 |
| Services, Other Operating Expenses | 5,155,614 | 4,789,190 | 4,841,927 | 4,734,035 | 4,953,077 | 4,524,965 | 4,933,238 | 5,065,927 | 5,320,625 | 5,514,025 |
| Other Outgo | 348,178 | 362,186 | 474,349 | 342,600 | 382,197 | 371,190 | 417,565 | 293,423 | 191,416 | 183,985 |
| Capital outlay | 110,000 | 450,522 | 883,822 | 533,872 | 560,000 | 264,702 | 370,121 | 86,246 | 733,611 | 681,301 |
| Direct Support/Indirect | (94,000) | (82,000) | (94,000) | (104,000) | (105,000) | (111,978) | (123,632) | (115,920) | (114,717) | (114,717) |
| Debt Service - Principal | - | 74,302 | - | 63,709 | - | 67,477 | - | 67,477 | -- | -- |
| Debt Service - Interest | - | 1,391 | - | 11,984 | - | 8,216 | - | 8,216 | -- | -- |
| **Total Expenditures** | 48,825,181 | 51,311,433 | 52,885,832 | 55,672,829 | 55,412,931 | 56,849,772 | 59,387,551 | 63,275,462 | 62,728,174 | 68,131,786 |
| **Excess (Deficiency) Of Revenues Over (Under) Expenditures** | 1,232,420 | 5,651,864 | 1,265,852 | 1,819,213 | (966,413) | 1,975,957 | 196,358 | 2,987,141 | (1,795,667) | (3,121,785) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | | | | |
| Transfers in | - | 276,954 | - | - | - | - | - | -- | -- | -- |
| Transfers out | - | (500,000) | - | (350,000) | - | (200,000) | (578,926) | (175,000) | (236,967) | (200,000) |
| **Total Financing Sources (Uses)** | - | (223,046) | - | (350,000) | - | (200,000) | (578,926) | (175,000) | (236,967) | (200,000) |
| **Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources** | 1,232,420 | 5,428,818 | 1,265,852 | 1,469,213 | (966,413) | 1,775,957 | (382,567) | 2,812,141 | (2,032,634) | (3,321,785) |
| Fund Balance, July 1 | 11,177,027 | 11,177,027 | 16,605,845 | 16,605,845 | 18,075,058 | 18,075,058 | 19,851,015 | 19,851,015 | 17,331,075 | 22,663,156 |
| Fund Balance, June 30 | $16,605,845 | $16,605,845 | $18,075,058 | $18,075,058 | $19,851,015 | $19,851,015 | $22,663,156 | $22,663,156 | $15,298,441 | $19,341,371 |

[1] From the audited financial statements of the District for the stated fiscal year.
[2] From the 2019-20 Adopted Budget.
[3] From 2019-20 Second Interim Report.
*Source: The District.*

**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, 2019, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 9390 Baseline Road, Alta Loma, California 91701. See APPENDIX B hereto for the 2018-19 Audited Financial Statements of the District.

The following table reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2016-17 to fiscal year 2018-19:

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**ALTA LOMA SCHOOL DISTRICT**
**GENERAL FUND**
**Statement of Revenues, Expenditures and Change in Fund Balances**
**for Fiscal Years 2016-17 through 2018-19**

| | 2016-17 Audit | 2017-18 Audit | 2018-19 Audit |
|---|---|---|---|
| **REVENUES** | | | |
| LCFF Sources | $45,979,053 | $47,094,157 | $50,770,641 |
| Federal Revenues | 1,442,193 | 1,373,789 | 1,499,610 |
| Other State Revenues | 4,890,946 | 4,852,265 | 7,882,326 |
| Other Local Revenues | 5,794,837 | 5,542,765 | 6,409,733 |
| **TOTAL REVENUES** | 58,107,029 | 58,862,976 | 66,562,310 |
| **EXPENDITURES** | | | |
| Instruction | 36,108,678 | 36,947,402 | 41,412,603 |
| Instruction-Related Services: | | | |
| Supervision of Instruction | 1,326,213 | 1,605,564 | 1,704,638 |
| Instructional Library, Media and Technology | 476,358 | 479,154 | 477,626 |
| School Site Administration | 3,925,587 | 4,026,823 | 4,738,716 |
| Pupil Services: | | | |
| Home-to-School Transportation | 1,152,990 | 892,354 | 1,007,824 |
| Food Services | 1,573 | 3,672 | 35,393 |
| All Other Pupil Services | 1,914,707 | 2,158,813 | 2,618,116 |
| General Administration: | | | |
| Data Processing | 493,618 | 485,227 | 546,169 |
| All Other General Administration | 2,840,661 | 2,757,119 | 3,047,473 |
| Plant Services | 5,058,770 | 5,064,041 | 5,374,091 |
| Facilities Acquisition and Construction | 332,447 | 183,354 | 395,476 |
| Community Services | 1,622,934 | 1,853,109 | 2,101,377 |
| Other Outgo | 342,600 | 371,190 | 293,423 |
| Debt Service – Principal | 63,709 | 67,477 | 67,477 |
| Debt Service – Interest | 11,984 | 8,216 | 8,216 |
| **TOTAL EXPENDITURES** | 55,672,829 | 56,903,515 | 63,828,618 |
| Excess (Deficiency) of Revenues Over Expenditures | 2,434,200 | 1,959,461 | 2,733,692 |
| **OTHER FINANCING SOURCES/USES** | | | |
| Proceeds from Capital Leases | -- | -- | -- |
| Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses) | 2,434,200 | 1,959,461 | 2,733,692 |
| Fund Balance at Beginning of Year[(1)] | 18,318,493 | 20,752,693 | 22,712,154 |
| Fund Balance at End of Year[(1)] | $20,752,693 | $22,712,154 | $25,445,846 |

[(1)] Fund balances shown above only include the general fund. The fund balances shown above differ from the fund balances in the table under " – Budget Procedures" which include the deferred maintenance fund, the special reserve for other than capital outlay projects and special reserve for post-employment benefits.
*Source: The District.*

**Accounting Practices**

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.*

***2019-20 State Budget***. On June 27, 2019, Governor Gavin Newsom signed the budget for the State for fiscal year 2019-20 (the "2019-20 State Budget"). Under the 2019-20 State Budget, general fund revenues and transfers are forecasted to total $150.6 billion with expenditures reaching $147.8 billion in fiscal year 2019-20. For fiscal year 2018-19, the 2019-20 State Budget includes revenues and transfers of $149.5 billion, an increase of $7.7 billion over the 2018-19 State Budget, and expenditures of $143 billion, approximately $5 billion greater than under the 2018-19 State Budget. The 2019-20 State Budget includes $14.3 billion for reserves and paying down debts which will bring the Rainy Day Fund to $16.5 billion at the end of fiscal year 2019-20. The 2019-20 State Budget also includes a $4.3 billion supplemental contribution to pay down the State's share of unfunded PERS liabilities and STRS liabilities. Current assumptions provide that the school district contribution rate to STRS would decrease from 18.13% to 16.7% in fiscal year 2019-20 and from 19.1% to 18.1% in fiscal year 2020-21 as a result of such one-time payment. See "DISTRICT FINANCIAL INFORMATION - Retirement Systems" herein.

The 2019-20 State Budget allocates total K-12 funding of $103.4 billion ($58.8 billion in Proposition 98 funds and $44.6 billion other funds). Total per-pupil funding would reach $17,423 in 2019-20 from all sources. LCFF funding includes an additional $1.9 billion in the form of a 3.26% COLA.

Significant features of the 2019-20 State Budget pertaining to K-12 education are as follows:

- Charter School Regulation — accountability requirements for charter schools to align governance, transparency and accountability requirements of school districts and charter schools.

- Special Education— $645.3 million Proposition 98 funds for special education allocated among school districts based on children ages 3 to 5 years old with exception needs served by a school district.

- Proposition 51 Bond Funds — $1.5 billion in bond funds to support school construction projects including new construction, modernization, retrofitting, career technical education, and charter school facility projects.

- Proposition 98 Settle-Up — $686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funds owed through 2017-18.

- Kindergarten Facilities — $300 million one-time non-Proposition 98 funds to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

- New Teacher Grants — $89.8 million one-time non-Proposition 98 funds to provide grants of $20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years.

- After School Education and Safety Program ("ASES") — $50 million ongoing Proposition 98 funds to provide an increase of approximately 8.3% to the per-pupil daily rate for ASES.

- Educator Workforce Grants — $37.1 million for the Educator Workforce Investment Grants for professional development in the following areas i) $22.1 million for social emotional learning, computer science, restorative practices, and ethnic studies; ii) $10 million implementation of the English-Learner Roadmap; iii) $5 million for special education and inclusive practices.

- 21st Century California Leadership Academy — $13.8 million federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

- Classified Employees Summer Assistance Program — $36 million one-time Proposition 98 funds to provide a state match for classified employee savings used to provide income during summer months.

- Broadband Infrastructure — $7.5 million one-time non-Proposition 98 funds for broadband infrastructure.

- Longitudinal Data System — $10 million one-time non-Proposition 98 funds to plan for and develop a longitudinal data system to track impacts of investments in educational goals.

**Proposed 2020-21 State Budget**. Governor Newsom announced his proposal for the budget for the state for fiscal year 2020-21 (the "2020-21 Proposed Budget") on January 10, 2020 citing revenues and transfers for fiscal year 2020-21 of $156.9 billion and expenditures of $153 billion. Any increased revenues over the 2019-20 State Budget are directed to one-time spending (rather than programmatic expansion) in order to remain prepared for the possibility of an economic slowdown in the near future. The 2020-21 Proposed Budget predicts that revenue growth will slow in the next four years as compared to fiscal year 2019-20. The 2020-21 Proposed Budget includes a transfer of nearly $2 billion to the Budget Stabilization Account in 2020-21 and $1.4 billion over the succeeding two years. The Rainy Day Fund is projected to reach $19.4 billion by 2023-24.

Total per-pupil funding for K-12 education under the 2020-21 Proposed Budget is approximately $17,508 for fiscal year 2019-20 and $17,964 for fiscal year 2020-21. Proposition 98 funding totals $84 billion, which is the highest Proposition 98 funding level ever. The Proposed 2020-21 Budget increases LCFF funding $1.2 billion which equates to a 2.29% COLA.

Significant provisions of the 2020-21 Proposed Budget relating to K-12 education include the following:

- Educator Workforce Investment Grants — $350 million one-time Proposition 98 funds for the Educator Workforce Investment Grants for professional learning opportunities for teachers and paraprofessionals in special education; multi-tiered systems of support and mental health interventions; supporting English language learners; social-emotional learning and restorative practices; non-discrimination, anti-bullying, and affirmative supports for marginalized students; and computer science and science, technology, engineering, and math.

- California Collaborative for Educational Excellence — $18 million one-time Proposition 98 funds for the California Collaborative for Educational Excellence ("CCEE") to bolster awareness of available services and supports for all local educational agencies in the topics listed above, to strengthen the capacity of local educational agencies to improve student outcomes in state priority areas.

- Workforce Development Grant Program — $193 million one-time Proposition 98 funds to address workforce shortages in high-need subjects and areas.

- Teacher Residency Program — $175 million one-time Proposition 98 funds for locally sponsored, one-year intensive, mentored, clinical teacher preparation programs dedicated to preparing and retaining teachers in high-need subject areas in high-need communities.

- California Teacher Credential Award Program — $100 million one-time Proposition 98 funds for $20,000 stipends for fully credentialed teachers who complete four years of teaching service in a high-need subject at a high-need school.

- California Classified School Employees Credentialing Program — $64.1 million one-time Proposition 98 funds to provides grants to K-12 local educational agencies to recruit non-certificated school employees to become certificated classroom teachers.

- Exceptional Needs Preschoolers —$250 million ongoing Proposition 98 funds on a one-time basis to school districts based on the number of children ages 3 to 5 years with exceptional needs to increase or improve services for such children.

- SELPAs — $500,000 one-time Proposition 98 funds for a study of the current special education local plan area governance and accountability structure, and $600,000 one-time Proposition 98 funds for two workgroups to study improved accountability for special education service delivery and student outcomes

- Community School Grants — $300 million one-time Proposition 98 funds for local educational agencies supporting innovative community school models including integrated and coordinated student wrap-around services, collaborative leadership and support for educators and increased family and community engagement.

- Opportunity Grants — $300 million one-time Proposition 98 funds to establish opportunity grants for the state's lowest-performing schools and school districts and expand the capacity of the CCEE in its role within the statewide system of support.

- Public Preschool, K-12, and College Health and Safety Bond Act of 2020 — $15 billion general obligation bond measure in March 2020 to provide $9 billion to support K-12 facilities construction.

- Proposition 51 Bond Issuance — $1.5 billion Proposition 51 bond funds to support school construction projects.

- Inclusive Early Education Expansion Program — $75 million Proposition 98 funds to expand the Inclusive Early Education expansion Program to construct or modify preschool facilities to serve students with exceptional needs or severe disabilities.

***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 theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its 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.

The District cannot predict whether the State will encounter budgetary difficulties in the current or 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. The Bonds are secured by *ad valorem* taxes levied upon real property within the District.

## 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.

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

**Legislation Implementing Article 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.

**Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the 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, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, if a school district's revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund 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 districts and community 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 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 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 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 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 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 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 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 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 general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the 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 property tax 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, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, 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 and use 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 new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school 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 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 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.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. On June 30, 2019, the District had available reserves of $20,439,973. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

**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 or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## ALTA LOMA SCHOOL DISTRICT

### Introduction

The District, a school district of the State, was established as an elementary school district in 1885, and provides education for children from kindergarten through eighth grade. The District operates eight elementary schools, providing kindergarten through sixth grade educational services, and two middle schools, providing seventh through eighth grade educational services. The District encompasses approximately 25 square miles in the northern part of the City of Rancho Cucamonga, a small portion of the City of Upland and adjoining unincorporated areas. The District is located in the western portion of San Bernardino County, approximately 40 miles east of Los Angeles and 19 miles west of the City of San Bernardino. The District's projected ADA for fiscal year 2019-20 is 5,827 students and the District has a 2019-20 total assessed valuation of $7,345,983,028. The District's audited financial statements for the fiscal year ended June 30, 2019 are attached hereto as APPENDIX B.

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 reports of the District may be obtained by contacting: Alta Loma School District, 9390 Base Line Road, Alta Loma, California 91701, Attention: Superintendent.

### Board of Trustees

The District is governed by a Board. The Board consists of five members who are elected at-large 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:

**ALTA LOMA SCHOOL DISTRICT**
**Board of Trustees**

| Name | Office | Term Expires December |
|---|---|---|
| Rebecca Davies | President | 2022 |
| Caryn Payzant | Vice President | 2022 |
| Dave Roberts | Clerk | 2020 |
| Brad Buller | Member | 2020 |
| Sandie Oerly | Member | 2022 |

*Source: The District.*

On November 7, 2018, the Board adopted a resolution indicating its intent to evaluate a transition from at-large to by-trustee area elections, pursuant to the Elections Code. The Board held four public hearings at which members of the public were able to provide input on trustee area boundaries before trustee area maps were drafted. On April 3, 2019 the Board adopted a proposed map which was approved by the San Bernardino County Committee on School District Organization on June 19, 2019. Board elections will be transitioned to by-trustee area elections beginning with the November 2020 election. The current Board members will continue in office until the expiration of their terms in 2020 or 2022.

**Key Personnel**

The following is a listing of the key administrative personnel of the District and brief biographies of certain District administrators follow.

| Name | Title |
|---|---|
| James Moore | Superintendent |
| Steve Thomas | Associate Superintendent, Administrative Services |
| Lori Thompson | Associate Superintendent, Educational Services |

***James Moore, Superintendent.*** James Moore has served as Superintendent of the District since July 1, 2014. Prior to the District, Superintendent Moore served as the Assistant Superintendent, Educational Services in Azusa Unified School District and as the Director Education Services for Placentia-Yorba Linda Unified School District. In addition, he has served as a principal and assistant principal, as well as a teacher and a counselor. Superintendent Moore earned a Bachelor's Degree from the University of California, Santa Barbara and a Master's Degree in Education from Azusa Pacific University. In 2011, he was named Career and Technical Education Administrator of the Year in Orange County. Superintendent Moore has announced his plans to retire on July 1, 2020. The District is in the process of conducting a search to hire the next Superintendent.

***Steve Thomas, Ed.D., Associate Superintendent, Administrative Services***. Dr. Steve Thomas has served as the Associate Superintendent at the District since September, 2012. He previously served as the Assistant Superintendent, Business Services at Mountain View School District. Dr. Thomas has also served as a principal, assistant principal and teacher in the District. Dr. Thomas earned a Bachelor's Degree in Biology from Cal Poly Pomona University, a Master of Arts Degree in Education from Claremont Graduate University, a Master of Arts Degree in Educational Administration from California State University, San Bernardino and a Doctorate of Education in Educational Leadership and Administration from the University of California, Irvine/University of California, Los Angeles Joint Doctoral Program.

***Lori Thompson, Associate Superintendent, Educational Services***. Lori Thompson has served as the Associate Superintendent at the District since January 1, 2019. She previously served as the Director of Special Education and as a principal for the District. Mrs. Thompson has also served as an Assistant Superintendent, Educational Services, principal, assistant principal and teacher in the Upland Unified School District. Ms. Thompson has served in public education for over 37 years.

**Employees and Labor Relations**

The District employs approximately 275 full-time equivalent ("FTE") certificated academic professionals as well as approximately 250 FTE classified employees.

The certificated employees of the District have assigned the Alta Loma Educators Association ("ALEA") as their exclusive bargaining agent and the contract between the District and ALEA expires on June 30, 2022.

The classified employees of the District are not represented by a bargaining agent.

**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 are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 17.10% 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 2019-20. 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 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, phased in 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 liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, school districts' employer contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

**SCHOOL DISTRICT EMPLOYER CONTRIBUTION RATES**
**State Teachers' Retirement Fund**

| Effective Date (July 1) | School District Contribution Rate to STRS |
|---|---|
| 2014 | 8.88% |
| 2015 | 10.73 |
| 2016 | 12.58 |
| 2017 | 14.43 |
| 2018 | 16.28 |
| 2019 | 17.10* |
| 2020 | 18.40* |

* The 2019-20 State Budget provided supplemental payments to STRS by the State which reduces the school district contribution rate under A.B. 1469.

The District contributed $2,393,671 to STRS for fiscal year 2015-16, $2,991,914 for fiscal year 2016-17, $3,647,499 for fiscal year 2017-18, and $4,356,215 for fiscal year 2018-19. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of $4,674,364 for fiscal year 2019-20. 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 Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 19.721% of eligible salary expenditures for fiscal year 2019-20, while participants enrolled in PERS (whether enrolled prior to or subsequent to January 1, 2013) contribute 7% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS 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 Board of Administration 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 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 of Administration. See "DISTRICT FINANCIAL INFORMATION- State Budget Measures" herein.

The District contributed $747,372 to PERS for fiscal year 2015-16, $945,428 for fiscal year 2016-17, $1,113,199 for fiscal year 2017-18, and $1,387,575 for fiscal year 2018-19 which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution of $1,466,819 for fiscal year 2019-20.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2018.

**FUNDED STATUS**
**STRS (DEFINED BENEFIT PROGRAM) and PERS**
**Actuarial Valuation as of July 1, 2018**
**(Dollar Amounts in Millions) [1]**

| Plan | Accrued Liability | Market Value of Trust Assets | Unfunded Liability |
|---|---|---|---|
| Public Employees Retirement Fund (PERS) | $92,071 | $64,846 | ($27,225) |
| State Teachers' Retirement Fund Defined Benefit Program (STRS) | 297,603 | 211,367 | (101,992) |

[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 PERS and STRS, as of June 30, 2019, are as shown in the following table.

| Pension Plan | Proportionate Share of Net Pension Liability |
|---|---|
| PERS | $14,491,421 |
| STRS | 43,508,774 |
| Total | $58,000,195 |

*Source: The District.*

For further information about the District's contributions to PERS and STRS, see Note 11 in the District's audited financial statements for fiscal year ended June 30, 2019 attached hereto as APPENDIX B.

**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" or "OPEBs") while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District provides Health & Welfare Benefits to qualified eligible employees who retire from the District on or after age 58 with at least 15 years of service to the District. Certificated and management employees hired before July 1, 2005, and classified employees hired before July 1, 2004, may retire on or after age 55. As of June 30, 2019, 64 retirees or their dependents were receiving benefits with 387 employees earning credit towards benefits.

Expenditures for post-employment healthcare benefits are recognized on a pay-as-you-go basis. During the fiscal years ended June 30, 2016, June 30, 2017, June 30, 2018, and June 30, 2019 the District recognized $984,012, $816,070, $424,546 and $1,152,641 expenditures for post-employment healthcare

benefits, respectively. The District has budgeted expenditures of $709,682 in Health & Welfare Benefits for fiscal year 2019-20.

In June, 2018, the District established an irrevocable trust for its OPEB obligations (the "OPEB Trust"). As of January 1, 2020, the balance in the OPEB Trust is $1,121,497. The District does not intend to deposit any amounts to the OPEB Trust in fiscal year 2019-20.

The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2019.

**Alta Loma School District**
**Total June 30, 2019 OPEB Liability**

| | |
|---|---|
| Service Cost | $870,000 |
| Interest | 430,291 |
| Assumption Changes | (233,977) |
| Benefit payments | (836,020) |
| Net Change in OPEB Liability | 230,794 |
| Total OPEB Liability – Beginning | 11,306,205 |
| Total OPEB Liability – Ending | 11,536,999 |
| | |
| Covered – Employee Payroll | 37,255,678 |
| Total OPEB Liability as Percentage of Covered-Employee Payroll | 30.97% |

*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 participates in three joint powers agreements with the California Schools Risk Management ("CSRM"), California Schools' Employee Benefits Association ("CSEBA") and Inland Personnel Council ("IPC"). Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. The relationships between the District and the JPAs are such that none of the JPAs are a component unit of the District for financial reporting purposes. See also APPENDIX B – ALTA LOMA SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2019 – Note 12 hereto.

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.

**District Debt Structure**

***Long-Term Debt.*** A schedule of the District's changes in long-term debt for the year ended June 30, 2019 is shown below:

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 | Balance Due In One Year |
|---|---|---|---|---|---|
| General Obligation Bonds | $29,046,793 | $18,000,000 | $3,043,904 | $44,002,889 | $3,452,944 |
| Bond Premium | -- | 2,223,011 | -- | 2,223,011 | 85,500 |
| Other Postemployment Benefits | 11,306,205 | 230,794 | -- | 11,536,999 | -- |
| Capital leases | 71,466 | -- | 71,466 | -- | -- |
| Net pension liability | 54,282,844 | 3,717,351 | -- | 58,000,195 | -- |
| Other General Long Term Debt | 533,588 | -- | 533,588 | -- | -- |
| Total Long-Term liabilities | $95,240,896 | $24,171,156 | $3,648,958 | $115,763,094 | $3,538,444 |

*Source: The District.*

***General Obligation Bonds.*** The District received authorization to issue $25,800,000 aggregate principal amount of general obligation bonds at an election within the District on March 2, 1999 (the "1999 Authorization"). The District issued its $19,333,847.05 General Obligation Bonds, 1999 Election, Series A on July 22, 1999 and its $6,466,026.25 General Obligation Bonds, 1999 Election, Series B Bonds on June 27, 2002 pursuant to the 1999 Authorization. No further general obligation bonds remain for issuance under the 1999 Authorization.

Pursuant to the Authorization, the District received authorization to issue $58,000,000 principal amount of general obligation bonds. The District issued its $20,000,000 General Obligation Bonds, 2016 Election, 2017 Series A on May 23, 2017. The District issued its $18,000,000 General Obligation Bonds, 2016 Election, 2019 Series B on May 9, 2019. The Bonds are the third series of bonds to be issued under the Authorization. Subsequent to the issuance of the Bonds, no principal amount of general obligation bonds* will remain for issuance under the Authorization.

## SAN BERNARDINO COUNTY POOLED INVESTMENT FUND

The following information concerning the San Bernardino County Pooled Investment Fund has been provided by the County 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 into the San Bernardino County Treasury to be held on behalf of the District. The County 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 County Treasurer and his 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 County 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

* Preliminary; subject to change.

County Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant. See Appendix E hereto for the San Bernardino County Investment Policy Statement.

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## SAN BERNARDINO COUNTY POOL SUMMARY AS OF DECEMBER 31, 2019

| Security Type | Par Value | Amortized Cost | Market Value | Market % of Portfolio | Yield to Maturity at Cost | Weighted. Average Maturity | Modified Duration |
|---|---|---|---|---|---|---|---|
| Asset-Backed Securities | $170,161,511.29 | $170,367,485.27 | $170,895,582.87 | 2.20% | 2.26% | 1115 | 1.51 |
| Bank Notes | 137,000,000.00 | 137,035,408.89 | 137,886,884.00 | 1.80 | 2.56 | 507 | 1.35 |
| Certificates of Deposit | 953,000,000.00 | 953,000,000.00 | 952,477,437.80 | 12.30 | 1.85 | 85 | 0.22 |
| Collateralized CD | 0.00 | 0.00 | 0.00 | -- | -- | -- | -- |
| Commercial Paper | 645,000,000.00 | 642,869,432.65 | 642,723,505.00 | 8.3 | 1.78 | 65 | 0.17 |
| Corporate Notes | 157,050,000.00 | 156,535,066.83 | 158,080,958.10 | 2.1 | 2.55 | 588 | 1.56 |
| Federal Agencies | 1,824,038,000.00 | 1,829,012,244.38 | 1,844,734,480.05 | 23.9 | 2.21 | 678 | 1.77 |
| Money Market Funds | 429,000,000.00 | 429,000,000.00 | 429,000,000.00 | 5.6 | 1.49 | 1 | -- |
| Municipal Debt | 0.00 | 0.00 | 0.00 | -- | -- | -- | -- |
| Repurchase Agreements | 0.00 | 0.00 | 0.00 | -- | -- | -- | -- |
| Bank Deposit Account | 50,000,000.00 | 50,000,000.00 | 50,000,000.00 | 0.60 | 1.55 | 1 | -- |
| NOW Account | 225,000,000.00 | 225,000,000.00 | 225,000,000.00 | 2.90 | 1.85 | 1 | -- |
| Joint Powers Authority | 282,000,000.00 | 282,000,000.00 | 282,000,000.00 | 3.70 | 1.78 | 1 | -- |
| Supranationals | 480,000,000.00 | 478,857,769.20 | 482,795,705.00 | 6.30 | 2.29 | 364 | 0.96 |
| U.S. Treasuries | 2,325,000,000.00 | 2,318,239,314.75 | 2,334,537,700.00 | 30.30 | 2.08 | 816 | 2.15 |
| **Total Securities** | 7,677,249,511.29 | 7,671,916,721.97 | 7,710,132,252.82 | 100.00% | 2.04% | 494 | 1.30 |
| Cash Balance | 350,939,634.00 | 350,939,643.00 | 350,939,643.00 | | | | |
| **Total Investments** | 8,028,189,154.29 | 8,022,856,364.97 | 8,061,071,895.82 | | | | |
| Accrued Interest | | 26,247,621.95 | 26,247,621.95 | | | | |
| **Total Portfolio** | $8,028,189,154.29 | $8,049,103,986.92 | $8,087,319,517.77 | | | | |

*Source: San Bernardino County Treasurer.*

(1) Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, and Fidelity money market funds.

(2) Statistics for the total portfolio include money market funds.

(3) Market prices are derived from closing bind prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg or Telerate.

Neither the District nor the Underwriter has 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 County 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 2019-20 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has entered 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 enumerated 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).

During the past five years, the District has not failed to comply, in all material respects, with any previous undertaking it has entered into with respect to the Rule. The District has engaged Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices 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, San Diego, 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. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter. Bond Counsel and Disclosure Counsel and Underwriter's Counsel 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 form of which is 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 Resolution 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 BERNARDINO 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 District's Interest and Sinking 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 its effective date, 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, and thus potentially improve ratings, interest rates and bond cost of issuance.

## 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, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. 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 form of Bond Counsel's anticipated opinion respecting the Bonds is included in APPENDIX A. The

statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

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

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "Aa2" to the Bonds. 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.

## UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed to purchase the Bonds at the purchase price of $_____ (reflecting the principal amount of the Bonds plus a net original issue premium in the amount of $_____ less an Underwriter's discount of $_____), at the rates and yields shown on the inside cover 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 page. The offering prices may be changed from time to time by the Underwriter.

## NO LITIGATION

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

## 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. Copies of the Resolution are available upon request from the Alta Loma School District, 9390 Baseline Road, Alta Loma, California 91701.

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.

ALTA LOMA SCHOOL DISTRICT

By: _____
Superintendent

**APPENDIX A**

**FORM OF BOND COUNSEL OPINION**

[Closing date]

Board of Trustees
Alta Loma School District
9390 Baseline Road
Alta Loma, California 91701

Re: $_____ Alta Loma School District (San Bernardino County, California) General Obligation Bonds, 2016 Election, 2020 Series C

Ladies and Gentlemen:

We have acted as bond counsel for the Alta Loma School District (San Bernardino County, California) (the "District"), in connection with the issuance by the District of $_____ aggregate principal amount of the District's General Obligation Bonds, 2016 Election, 2020 Series C (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Trustees of the District on _____, 2020 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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 Resolution. 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 Bernardino (the "County") as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution 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 any Bond 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 Resolution. 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 herein 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.

2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.

3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

4. 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.

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

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 opinion with respect to 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

**APPENDIX B**

**ALTA LOMA SCHOOL DISTRICT**
**AUDITED FINANCIAL STATEMENTS**
**FOR FISCAL YEAR ENDED JUNE 30, 2019**

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# ALTA LOMA SCHOOL DISTRICT

SAN BERNARDINO COUNTY
ALTA LOMA, CALIFORNIA

ANNUAL FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT

JUNE 30, 2019

JLG
Jeanette L. Garcia & Associates
CERTIFIED PUBLIC ACCOUNTANT

ALTA LOMA SCHOOL DISTRICT
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# Financial Section

JLG

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American Institute of Certified Public Accountants

California Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Alta Loma School District
Alta Loma, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alta Loma School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Alta Loma School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alta Loma School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, General Fund Budgetary Comparison Schedule on page 44, Other Postemployment Benefits Schedule of Funding Progress on page 45 and Schedules of the District's Proportionate Share of Net Pension Liability and Contributions on pages 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

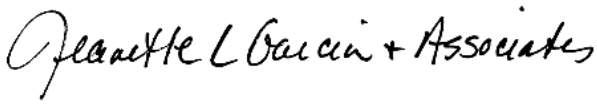
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alta Loma School District's basic financial statements. The combining and individual nonmajor fund financial statements, and 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* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplemental information is presented for purposes of additional analysis as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, and 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* (Uniform Guidance) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information, and 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* (Uniform Guidance) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the Alta Loma 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 the Alta Loma 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 Alta Loma School District's internal control over financial reporting and compliance.



San Bernardino, California
December 9, 2019

ALTA LOMA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Fiscal Year Ended
June 30, 2019

## INTRODUCTION

The Management's Discussion and Analysis of Alta Loma School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's letter, notes to the basic financial statements and the basic government-wide financial statements to enhance their understanding of the District's financial performance.

Alta Loma School District serves over 6,000 students in grades K-8. There are eight elementary schools and two 7-8 junior high schools. The 315 certificated, management and confidential employees and the 280 classified employees provide for the needs of the District's students. Alta Loma School District is located in Alta Loma, California.

## USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Alta Loma School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

- The "Statement of Net Position" and "Statement of Activities" provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. "Fund Financial Statements" provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all special revenue funds and other non-major funds.

- The major funds for Alta Loma School District are the General Fund, Building Fund, and Bond Interest and Redemption Fund.

- The Management's Discussion and Analysis is provided to assist our citizens, taxpayers and investors in reviewing the District's finances.

## FINANCIAL HIGHLIGHTS

- The Alta Loma School District's Government-Wide Statement of Net Position shows Total Net Position of $14,952,557, the result of assets and deferred outflows of resources of $138,859,268, less liabilities and deferred inflows of resources of $123,906,711.

- The District implemented GASB Statement No. 68, which requires the District to report its proportionate share of the Net Pension Liabilities of CalPERS and CalSTRS. At June 30, 2019, the District's proportionate share of the Net Pension Liabilities was $58,000,195.

- The District implemented GASB Statement No. 75, which requires the District to report the total OPEB liability. At June 30, 2019, the District's total OPEB liability was $11,536,999.

- General revenues accounted for $63,681,338 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $11,753,095 or 16% of total revenues of $75,434,433.

- The District had $70,521,472 in expenses related to governmental activities; $11,753,095 of these expenses were offset by program specific revenues in the form of charges for services, grants and contributions. General revenues (primarily unrestricted federal and state aid and property taxes) of $63,681,338 provided a change in Net Position of $4,912,961.

- The General Fund reported a positive fund balance of $25,445,846.

## REPORTING THE DISTRICT AS A WHOLE

- THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

  One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" "The Statement of Net Position" and "The Statement of Activities" report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

  These two statements report the District's net position and changes in it. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. However, the Alta Loma School District's goal is to provide services to our students, not to generate profits as commercial entities do. The reader will need to consider other non-financial factors as well as factors such as property tax base, current property tax laws, student enrollment growth and facility conditions in arriving at their conclusion regarding the overall health of the District.

  In the "Statement of Net Position" and the "Statement of Activities," the District is divided into two distinct kinds of activities:

  - Governmental Activities – Most of the District's programs and services are reported here, including instruction, pupil services including transportation and food services, administration, plant services, facilities acquisition and construction, interest on the long-term debt and other services.

  - Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. Alta Loma School District does not have any of these types of activities at this time.

- FUND FINANCIAL STATEMENTS

  The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

- GOVERNMENTAL FUNDS

  Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. Governmental funds include most of the primary funds of the District.

- FIDUCIARY FUNDS

  Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups. These funds include Associated Student Body funds.

  The Alta Loma School District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Pension. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The Alta Loma School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

- NOTES TO THE FINANCIAL STATEMENTS

  The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

## THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal years 2018-19 and 2017-18.

Table 1 - Net Position

| | Governmental Activities | | % |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Current and Other Assets | $ 61,988,638 | $ 47,194,770 | 31.3 |
| Capital Assets | 56,536,354 | 48,135,328 | 17.5 |
| Total Assets | 118,524,992 | 95,330,098 | 24.3 |
| Deferred Outflows Of Resources | 2,033,276 | 16,214,077 | (87.5) |
| Current Liabilities | 5,622,459 | 4,282,736 | 31.3 |
| Long-Term Debt | 115,763,094 | 95,240,896 | 21.5 |
| Total Liabilities | 121,385,553 | 99,523,632 | 22.0 |
| Deferred Inflows of Resources | 2,521,158 | 1,980,947 | 27.3 |
| Net Position | | | |
| Net Investment in Capital Assets | 10,310,454 | 19,017,069 | (45.8) |
| Restricted | 37,851,127 | 29,627,230 | 27.8 |
| Unrestricted | (33,209,024) | (38,604,703) | 14.0 |
| Total Net Position | $ 14,952,557 | $ 10,039,596 | 48.9 |

Table 2 shows the changes in net position for fiscal years 2018-19 and 2017-18.

Table 2 - Changes in Net Position

| | Governmental Activities | | % |
|---|---|---|---|
| | 2019 | 2018 | Change |
| Revenues | | | |
| *Program Revenues:* | | | |
| Charges for Services | $ 837,034 | $ 697,062 | 20.1 |
| Operating Grants and Contributions | 10,916,061 | 7,642,664 | 42.8 |
| *General Revenues:* | | | |
| Unrestricted Federal and State Sources | 44,592,553 | 40,967,642 | 8.8 |
| Property Taxes | 13,762,985 | 12,345,210 | 11.5 |
| Other General Revenues | 5,325,800 | 3,805,581 | 39.9 |
| Total Revenues | 75,434,433 | 65,458,159 | 15.2 |
| Expenses | | | |
| Instruction | 48,646,905 | 45,676,706 | 6.5 |
| Pupil Services | 6,110,709 | 5,477,485 | 11.6 |
| Administration | 3,749,333 | 3,560,208 | 5.3 |
| Maintenance and Operations | 5,896,901 | 5,528,881 | 6.7 |
| Other | 6,117,624 | 5,605,509 | 9.1 |
| Total Expenses | 70,521,472 | 65,848,789 | 7.1 |
| Change in Net Position | $ 4,912,961 | $ (390,630) | (1,357.7) |

- GOVERNMENTAL ACTIVITIES

Charges for services and operating grants and contributions made up 16% of revenues for governmental activities. General revenues not restricted to specific programs made up 84% of the total revenues available.

Instruction -related activities made up 69% of expenses. Pupil services including home-to-school transportation and food services made up 9%. Administration including data processing made up 5%. Maintenance and operations made up 8% and other miscellaneous made up 9%.

The "Statement of Activities" shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services for fiscal years 2018-19 and 2017-18. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3 - Total and Net Cost of Governmental Activity

| | Total Cost | | | |
|---|---|---|---|---|
| | 2019 | % | 2018 | % |
| Instruction | $ 48,646,905 | 69 | $ 45,676,706 | 69 |
| Pupil Services | 6,110,709 | 9 | 5,477,485 | 8 |
| Administration | 3,749,333 | 5 | 3,560,208 | 6 |
| Maintenance and Operations | 5,896,901 | 8 | 5,528,881 | 8 |
| Other | 6,117,624 | 9 | 5,605,509 | 9 |
| Total | $ 70,521,472 | 100 | $ 65,848,789 | 100 |

| | Net Cost | | | |
|---|---|---|---|---|
| | 2019 | % | 2018 | % |
| Instruction | $ 40,429,308 | 69 | $ 40,327,336 | 70 |
| Pupil Services | 3,234,190 | 5 | 3,104,043 | 5 |
| Administration | 3,355,048 | 6 | 3,325,434 | 6 |
| Maintenance and Operations | 5,765,352 | 10 | 5,206,068 | 9 |
| Other | 5,984,479 | 10 | 5,546,182 | 10 |
| Total | $ 58,768,377 | 100 | $ 57,509,063 | 100 |

## GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year. By law, the Governing Board must adopt a Final Budget by June 30. A public hearing is held and the board adopts the Budget in late June. During the course of the fiscal year, the District revises its budget as it deals with changes in revenues and expenditures. Adjustments made to the budget include revisions at First Interim, which is normally presented in December, and Second Interim, which is normally presented in March, at which time the budgets are presented for approval.

- GENERAL FUND BUDGET VARIATIONS

For the General Fund, actual revenues were $50,570,641 with final budget estimated at $50,680,903. The difference of $(110,262) is primarily due to final the LCFF calculation, higher than budgeted Lottery and Interest revenues, and STRS on behalf recognition.

There are several reasons for expenditure budget revisions. Most notable is "rebudgeting" of budgeted but unspent dollars from previous years. The original budget does not presume negotiated salary increases. Also, any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also require budget revisions.

The implementation of new instructional programs can also affect budget projections. New academically focused programs will impact expenditures in personnel, instructional materials, outside services and supplies.

- CAPITAL ASSETS AND DEBT ADMINISTRATION

  - CAPITAL ASSETS

At the end of the fiscal year 2018-19, the District had $56,536,354 invested in land, buildings, furniture and equipment. Table 4 shows fiscal year 2018-19 and 2017-18 balances.

Table 4 - Capital Assets at Year-End

| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| Land | $ 8,233,839 | $ 8,233,839 |
| Buildings and Site Improvements | 68,992,113 | 67,404,625 |
| Furniture and Equipment | 6,466,432 | 4,933,926 |
| Work In Progress | 12,244,912 | 5,133,540 |
| Less Accumulated Depreciation | (39,400,942) | (37,570,602) |
| Total | $ 56,536,354 | $ 48,135,328 |

- DEBT

At June 30, 2019, the Alta Loma School District had $115,763,094 in debt outstanding. Table 5 summarizes these debts.

Table 5 - Outstanding Debt at Year-End

| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| General Obligation Bonds | $ 44,002,889 | $ 29,046,793 |
| Other General Long-Term Debt | 2,223,011 | 533,588 |
| Other Postemployment Benefits | 11,536,999 | 11,306,205 |
| Capital Lease Agreement | - | 71,466 |
| Net Pension Liability | 58,000,195 | 54,282,844 |
| Total | $ 115,763,094 | $ 95,240,896 |

## FOR THE FUTURE

Alta Loma School District maintained student enrollment in 2018-19 when compared to 2017-18. Student enrollment appears to be stabilizing.

The Governing Board has made, as their top priority, a commitment to fiscal solvency; maintaining responsible reserves while protecting educational and instructional programs. With careful planning and monitoring of the financial condition, Alta Loma School District is confident that we can continue to provide a quality education for our students and meet the challenges of the future.

- CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 questions about this report or need additional financial information, contact Steve Thomas, Associate Superintendent, Administrative Services, Alta Loma School District, 9390 Base Line Road, Alta Loma, CA 91701.

EXHIBIT A

ALTA LOMA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash (Note 2) | $ 59,088,062 |
| Accounts Receivable (Note 3) | 2,769,792 |
| Inventory | 117,184 |
| Prepaid Expenses | 13,600 |
| Total Current Assets | 61,988,638 |
| Capital Assets: (Note 6) | |
| Land | 8,233,839 |
| Site Improvements | 5,108,534 |
| Buildings | 63,883,579 |
| Furniture and Equipment | 6,466,432 |
| Work in Progress | 12,244,912 |
| Less Accumulated Depreciation | (39,400,942) |
| Total Capital Assets | 56,536,354 |
| TOTAL ASSETS | 118,524,992 |
| DEFERRED OUTFLOWS OF RESOURCES (Note 10,11) | 20,334,276 |
| LIABILITIES | |
| Accounts Payable and Other Current Liabilities | 5,596,632 |
| Unearned Revenue | 25,827 |
| Total Current Liabilities | 5,622,459 |
| Long-Term Liabilities: (Note 7) | |
| Portion Due or Payable Within One Year | 3,538,444 |
| Portion Due or Payable After One Year | 112,224,650 |
| Total Long-Term Liabilities | 115,763,094 |
| TOTAL LIABILITIES | 121,385,553 |
| DEFERRED INFLOWS OF RESOURCES (Note 10,11) | 2,521,158 |
| NET POSITION | |
| Net Investment in Capital Assets | 10,310,454 |
| Restricted for: | |
| Capital Projects | 24,621,556 |
| Debt Service | 8,081,833 |
| Educational Programs | 2,126,960 |
| Other Purposes (Expendable) | 2,869,194 |
| Other Purposes (Nonexpendable) | 151,584 |
| Unrestricted | (33,209,024) |
| TOTAL NET POSITION | $ 14,952,557 |

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT B

# ALTA LOMA SCHOOL DISTRICT
## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Activities | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities |
|---|---|---|---|---|
| Governmental: | | | | |
| Instruction | $ 41,354,563 | $ - | $ 7,471,089 | $ (33,883,474) |
| Instruction-Related Services: | | | | |
| Supervision of Instruction | 1,936,606 | - | 336,577 | (1,600,029) |
| Instructional Library, Media and Technology | 484,120 | - | 6,713 | (477,407) |
| School Site Administration | 4,871,616 | - | 403,218 | (4,468,398) |
| Pupil Services: | | | | |
| Home-to-School Transportation | 1,037,090 | - | 23,895 | (1,013,195) |
| Food Services | 2,481,670 | 797,378 | 1,445,843 | (238,449) |
| All Other Pupil Services | 2,591,949 | - | 609,403 | (1,982,546) |
| General Administration: | | | | |
| Data Processing | 523,017 | - | 15,559 | (507,458) |
| All Other General Administration | 3,226,316 | 39,656 | 339,070 | (2,847,590) |
| Plant Services | 5,896,901 | - | 131,549 | (5,765,352) |
| Community Services | 2,106,332 | | 64,447 | (2,041,885) |
| Interest on Long-Term Debt | 2,586,455 | - | - | (2,586,455) |
| Other Outgo | 528,423 | - | 68,698 | (459,725) |
| Depreciation (Unallocated) | 896,414 | - | - | (896,414) |
| Total Governmental Activities | $ 70,521,472 | $ 837,034 | $ 10,916,061 | (58,768,377) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes, levied for general purposes | | | | 8,474,545 |
| Property Taxes, levied for debt service | | | | 5,262,680 |
| Property Taxes, levied for other specific purposes | | | | 25,760 |
| Federal and State Aid not restricted to specific purposes | | | | 44,592,553 |
| Interest and Investment Earnings | | | | 945,591 |
| Miscellaneous | | | | 4,380,209 |
| Total General Revenues | | | | 63,681,338 |
| Change in Net Position | | | | 4,912,961 |
| Net Position - July 1, 2018 | | | | 10,039,596 |
| Net Position - June 30, 2019 | | | | $ 14,952,557 |

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C

# ALTA LOMA SCHOOL DISTRICT
## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2019

| | GENERAL FUND | BUILDING FUND | BOND INTEREST AND REDEMPTION FUND | ALL OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash (Note 2) | | | | | |
| Cash in County Treasury | $ 17,374,933 | $ 26,567,619 | $ 8,081,833 | $ 384,104 | $ 52,408,489 |
| Cash on Hand and in Banks | 159,680 | - | - | 91,721 | 251,401 |
| Cash in Revolving Fund | 20,000 | - | - | 800 | 20,800 |
| Cash with Fiscal Agent | 6,407,372 | - | | - | 6,407,372 |
| Accounts Receivable (Note 3) | 2,525,586 | 122,966 | - | 121,240 | 2,769,792 |
| Due from Other Funds (Note 4) | 256,949 | - | - | 7,241 | 264,190 |
| Inventory | 62,623 | - | - | 54,561 | 117,184 |
| Prepaid Expenditures | 13,600 | - | - | - | 13,600 |
| TOTAL ASSETS | $ 26,820,743 | $ 26,690,585 | $ 8,081,833 | $ 659,667 | $ 62,252,828 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | $ 1,366,111 | $ 2,077,444 | $ - | $ 228,156 | $ 3,671,711 |
| Due to Other Funds (Note 4) | 3,229 | 4,012 | - | 256,949 | 264,190 |
| Unearned Revenue | 5,557 | - | - | 20,270 | 25,827 |
| Total Liabilities | 1,374,897 | 2,081,456 | - | 505,375 | 3,961,728 |
| Fund Balances (Note 5) | | | | | |
| Nonspendable | 96,223 | - | - | 55,361 | 151,584 |
| Restricted | 2,126,960 | 17,855,000 | 8,081,833 | 41,576 | 28,105,369 |
| Assigned | 2,782,690 | 6,754,129 | - | 57,355 | 9,594,174 |
| Unassigned | 20,439,973 | - | - | - | 20,439,973 |
| Total Fund Balances | 25,445,846 | 24,609,129 | 8,081,833 | 154,292 | 58,291,100 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 26,820,743 | $ 26,690,585 | $ 8,081,833 | $ 659,667 | $ 62,252,828 |

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT D

ALTA LOMA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | | $ 58,291,100 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Amounts reported as capital assets for governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets is $95,937,296 and the accumulated depreciation is $39,400,942. | | 56,536,354 |
| In governmental funds, interests on long-term debt is not recognized until the period in which it matures and is paid. In the governmental-wide statements, it is recognized in the period that it is incurred. The additional liability for unmatured interest payable on long-term debt is: | | (1,924,920) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of: | | |
| General Obligation Bonds | $ 44,002,889 | |
| Other General Long-Term Debt | 11,536,999 | |
| Other Postemployment Benefits | 58,000,195 | |
| Net Pension Liability | 2,223,011 | (115,763,094) |
| In governmental funds, deferred outflows and inflows of resources related to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources related to pensions are: | | |
| Deferred outflows of resources related to pensions | | 19,616,224 |
| Deferred inflows of resources related to pensions | | (2,307,352) |
| In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources related to OPEB are: | | |
| Deferred outflows of resources related to OPEB | | 718,052 |
| Deferred inflows of resources related to OPEB | | (213,806) |
| Adjustment for rounding | | (1) |
| Total Net Position - Governmental Activities | | $ 14,952,557 |

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT E

# ALTA LOMA SCHOOL DISTRICT
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | GENERAL FUND | BUILDING FUND | BOND INTEREST AND REDEMPTION FUND | ALL OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Local Control Funding Formula Sources | | | | | |
| State Apportionments | $ 33,335,958 | $ - | $ - | $ - | $ 33,335,958 |
| Education Protection Account Funds | 8,960,137 | - | - | - | 8,960,137 |
| Local Sources | 8,474,546 | - | - | - | 8,474,546 |
| Total LCFF Sources | 50,770,641 | - | - | - | 50,770,641 |
| Federal Revenues | 1,499,610 | - | - | 1,387,140 | 2,886,750 |
| Other State Revenues | 7,882,326 | - | 43,568 | 121,132 | 8,047,026 |
| Other Local Revenues | 6,409,733 | 745,473 | 5,311,954 | 869,858 | 13,337,018 |
| Total Revenues | 66,562,310 | 745,473 | 5,355,522 | 2,378,130 | 75,041,435 |
| EXPENDITURES | | | | | |
| Instruction | 41,412,603 | - | - | - | 41,412,603 |
| Instruction-Related Services: | | | | | |
| Supervision of Instruction | 1,704,638 | - | - | - | 1,704,638 |
| Instructional Library, Media and Technology | 477,626 | - | - | - | 477,626 |
| School Site Administration | 4,738,716 | - | - | - | 4,738,716 |
| Pupil Services: | | | | | |
| Home-to-School Transportation | 1,007,824 | - | - | 10,000 | 1,017,824 |
| Food Services | 35,393 | - | - | 2,399,498 | 2,434,891 |
| All Other Pupil Services | 2,618,116 | - | - | - | 2,618,116 |
| General Administration: | | | | | |
| Data Processing | 546,169 | - | - | - | 546,169 |
| All Other General Administration | 3,047,473 | - | - | 115,920 | 3,163,393 |
| Plant Services | 5,374,091 | - | - | - | 5,374,091 |
| Facilities Acquisition and Construction | 395,476 | 7,728,374 | - | 1,866,757 | 9,990,607 |
| Community Services | 2,101,377 | - | - | - | 2,101,377 |
| Other Outgo | 293,423 | 145,000 | - | - | 438,423 |
| Debt Service: | | | | | |
| Principal | 67,477 | - | 3,043,904 | - | 3,111,381 |
| Interest | 8,216 | - | 2,473,437 | - | 2,481,653 |
| Total Expenditures | 63,828,618 | 7,873,374 | 5,517,341 | 4,392,175 | 81,611,508 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 2,733,692 | (7,127,901) | (161,819) | (2,014,045) | (6,570,073) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Proceeds From Sale of Bonds | - | 18,000,000 | - | - | 18,000,000 |
| Other Sources | - | - | 2,133,011 | - | 2,133,011 |
| Total Other Financing Sources | - | 18,000,000 | 2,133,011 | - | 20,133,011 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) | 2,733,692 | 10,872,099 | 1,971,192 | (2,014,045) | 13,562,938 |
| FUND BALANCES - JULY 1, 2018 | 22,712,154 | 13,737,030 | 6,110,641 | 2,168,337 | 44,728,162 |
| FUND BALANCES - JUNE 30, 2019 | $ 25,445,846 | $ 24,609,129 | $ 8,081,833 | $ 154,292 | $ 58,291,100 |

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT F

ALTA LOMA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds | | $ 13,562,938 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is: | | |
| Expenditures for capital outlay | $ 10,055,439 | |
| Depreciation expense | (2,021,156) | 8,034,283 |
| In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: | | 3,115,370 |
| In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statements of activities, it is recognized in the period that it is incurred. | | (108,791) |
| In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: | | (434,589) |
| 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. | | 66,432 |
| In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the year that are not expected to be liquidated with current financial resources, such as supplemental retirement incentives. This year expenses incurred for such obligations were: | | 533,588 |
| In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. | | (20,223,011) |
| In governmental funds, donated capital assets (or assets paid for by outside organizations) are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets. | | 393,000 |
| In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. | | (26,257) |
| Adjustment for rounding | | (2) |
| Change in Net Position of Governmental Activities | | $ 4,912,961 |

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT G

ALTA LOMA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

| | AGENCY FUNDS |
|---|---|
| ASSETS | |
| Cash (Note 2) | |
| Cash on Hand and in Banks | $ 189,794 |
| Inventory | 45,834 |
| TOTAL ASSETS | $ 235,628 |
| LIABILITIES | |
| Accounts Payable | $ - |
| Due to Student Groups | 235,628 |
| TOTAL LIABILITIES | $ 235,628 |

The Notes to Financial Statements are an integral part of this statement.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Alta Loma School District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California school districts. The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants. The following is a summary of the significant accounting policies:

### Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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 balance or retained earnings, 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. The District accounts are organized into major, nonmajor, and fiduciary funds.

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

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

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed for purposes other than debt service and capital outlay and that compose a substantial portion of the fund's resources. The District maintained five nonmajor special revenue funds.

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

- Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property. To comply with GASB 54, this fund has been combined with the General Fund for reporting purposes.

- Pupil Transportation Equipment Fund was established for the purpose of accumulating monies designated for the purchase of transportation equipment, including buses.

- Special Reserve Fund is used to provide medical benefits to retired District employees. To comply with GASB 54, this fund has been combined with the General Fund for reporting purposes.

- Postemployment Benefits Fund is used to account for the proper accumulation and accounting of contributions and expenses related to postemployment benefits. To comply with GASB 54, this fund has been combined with the General Fund for reporting purposes.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains two nonmajor capital projects funds.

- Capital Facilities Fund is used to account for resources received from developer fees.

- The Special Reserve Fund is used to support the school sites for ineligible expenses for projects authorized under the 1999 and 2016 bond election. The fund is also a source for costs related to the construction of the district support facility.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for each school that operates an associated student body.

Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's Governing Board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The final revised budget that is presented in the financial statements consists of the original Board approved documents plus all revisions through June 30, 2019.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 (expenses) during the reporting period. Actual results could differ from those estimates.

Encumbrances

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory

Inventory in the General Fund and Cafeteria Fund consists mainly of expendable supplies held for consumption. Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and the cost is recorded as an expenditure at the time individual inventory items are requisitioned. Inventories are valued on the weighted average method. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| Asset Class | Estimated Useful Life in Years |
|---|---|
| Land | N/A |
| Land Improvements | 20 |
| Outdoor Equipment | 20 |
| Kitchen Equipment | 15 |
| Office Workstation | 20 |
| Business Machines (Copiers) | 5 |
| Computer Equipment | 5 |
| Scantron Machines | 10 |
| Audio Visual Equipment | 10 |
| Licensed Vehicles | 8 |
| Air Conditioners | 15 |
| Custodial Equipment | 15 |
| Buildings and Improvements | 50 |
| Construction In Progress | 0 |
| Portable Structures | 25 |

Interfund Balances

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

Compensated Absences

All vacation pay plus related payroll taxes is reported when paid in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken 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 when the employee retires.

Net Position in the Government-Wide Financial Statements

In the government-wide Statement of Net Position, the net position amount can be classified and displayed in three components:

- Net Investment in Capital Assets – This consists of capital assets net of accumulated depreciation and reduced by any long-term borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- Restricted – This consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This consists of the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance Reserves and Designations

In the governmental funds Balance Sheet, fund balance amounts are reported within the fund balance categories below:

- Nonspendable – This is fund balance associated with revolving cash funds, inventories and prepaids.
- Restricted – This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Committed – This includes amounts that can be used only for the specific purposes determined by a formal action of the Governing Board (the District's highest level of decision-making authority).
- Assigned – These funds are intended to be used by the government (District) for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first.

Deferred Outflows and Deferred Inflows of Resources

Included in the Statement of Net Position are separate sections for deferred outflows and deferred inflows of resources.

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows and deferred inflows of resources have been reported as a result of recording the net pension liabilities and pension expense.

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 CalPERS Schools Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

| | |
|---|---|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Measurement Period | July 1, 2017 to June 30, 2018 |

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

Local Control Funding Formula/Property Tax

As a result of the 2013-14 state budget package, the District's state apportionments are based on a new Local Control Funding Formula (LCFF). The LCFF creates base, supplemental, and concentration grants (by grade span) in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. Full implementation of LCFF was realized in fiscal year 2018-19.

The County is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distributions prescribed by Section 4705 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) statements are effective for the FY 2018-19 financial statement audits:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement is effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged.

  The primary objective of this statement is to provide financial statements users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations.

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirement of this statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

  The primary objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

- GASB Statement No. 90, *Majority Equity Interests*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

## 2. CASH AND DEPOSITS

Cash at June 30, 2019, consisted of the following:

| | Governmental Funds | Fiduciary Funds | Total |
|---|---|---|---|
| Pooled Funds: | | | |
| Cash in County Treasury | $ 52,408,489 | $ - | $ 52,408,489 |
| Deposits: | | | |
| Cash on Hand and in Banks | 251,401 | 189,794 | 441,195 |
| Cash in Revolving Fund | 20,800 | - | 20,800 |
| Cash with Fiscal Agent | 6,407,372 | - | 6,407,372 |
| Total | $ 59,088,062 | $ 189,794 | $ 59,277,856 |

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the investment pool ($7,072,480,769 as of June 30, 2019). The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost which approximates market value. The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The fair market value of this pool as of June 30, 2019, as provided by the pool sponsor, was $7,124,199,886. The County is required by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the San Bernardino County Investment Pool with a fair value of approximately $52,791,178 and an amortized book value of $52,408,489. The average weighted maturity for this pool is 418 days.

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, 2019, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the District had no concentration of credit risk.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

## 3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of the following:

| | GENERAL FUND | BUILDING FUND | ALL OTHER GOVERNMENTAL FUNDS | TOTAL |
|---|---|---|---|---|
| Federal Sources | | | | |
| Categorical Aid Programs | $ 836,496 | $ - | $ - | $ 836,496 |
| Child Nutrition Program | - | - | 108,741 | 108,741 |
| Total Federal | 836,496 | - | 108,741 | 945,237 |
| State Sources | | | | |
| Categorical Aid Programs | 1,232,811 | - | - | 1,232,811 |
| Child Nutrition Program | - | - | 7,304 | 7,304 |
| LCFF | 14,973 | - | - | 14,973 |
| Lottery | 290,355 | - | - | 290,355 |
| Total State | 1,538,139 | - | 7,304 | 1,545,443 |
| Local Sources | | | | |
| Interest | 93,695 | 82,118 | 5,195 | 181,008 |
| Other | 57,256 | 40,848 | - | 98,104 |
| Total Local | 150,951 | 122,966 | 5,195 | 279,112 |
| Total Receivables | $ 2,525,586 | $ 122,966 | $ 121,240 | $ 2,769,792 |

## 4. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2019, are as follows:

| | DUE TO | | |
|---|---|---|---|
| DUE FROM | GENERAL FUND | ALL OTHER GOVERNMENTAL FUNDS | TOTAL |
| General Fund | $ - | $ 3,229 | $ 3,229 |
| Building Fund | - | 4,012 | 4,012 |
| All Other Governmental Funds | 256,949 | - | 256,949 |
| Total | $ 256,949 | $ 7,241 | $ 264,190 |

## 5. FUND BALANCE

Ending fund balance in the governmental funds is composed of the following elements:

| | GENERAL FUND | BUILDING FUND | BOND INTEREST AND REDEMPTION FUND | ALL OTHER GOVERNMENTAL FUNDS | TOTAL |
|---|---|---|---|---|---|
| Nonspendable: | | | | | |
| Revolving Fund | $ 20,000 | $ - | $ - | $ 800 | $ 20,800 |
| Inventory | 62,623 | - | - | 54,561 | 117,184 |
| Prepaids | 13,600 | - | - | - | 13,600 |
| Total Nonspendable | 96,223 | - | - | 55,361 | 151,584 |
| Restricted for: | | | | | |
| Legally Restricted | 2,126,960 | 17,855,000 | 8,081,833 | 41,576 | 28,105,369 |
| Assigned to: | | | | | |
| Other Assignments | 2,782,690 | 6,754,129 | - | 57,355 | 9,594,174 |
| Unassigned to: | | | | | |
| Reserve for Economic Uncertainties | 1,839,601 | - | - | - | 1,839,601 |
| Unassigned | 18,600,372 | - | - | - | 18,600,372 |
| Total Unassigned | 20,439,973 | - | - | - | 20,439,973 |
| Total Fund Balances | $ 25,445,846 | $ 24,609,129 | $ 8,081,833 | $ 154,292 | $ 58,291,100 |

## 6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2019, is shown below:

| | PRIMARY GOVERNMENT | | | |
|---|---|---|---|---|
| | Balance July 1, 2018 | Additions | Retirements | Balance June 30, 2019 |
| Land | $ 8,233,839 | $ - | $ - | $ 8,233,839 |
| Site Improvements | 3,521,046 | 1,587,488 | - | 5,108,534 |
| Buildings | 63,883,579 | - | - | 63,883,579 |
| Furniture and Equipment | 4,933,926 | 1,749,579 | 217,073 | 6,466,432 |
| Work in Progress | 5,133,540 | 8,007,704 | 896,332 | 12,244,912 |
| Total at Historical Cost | 85,705,930 | 11,344,771 | 1,113,405 | 95,937,296 |
| Less Accumulated Depreciation for: | | | | |
| Site Improvements | 2,975,226 | 125,395 | - | 3,100,621 |
| Buildings | 31,540,740 | 1,506,017 | - | 33,046,757 |
| Furniture and Equipment | 3,054,636 | 389,744 | 190,816 | 3,253,564 |
| Total Accumulated Depreciation | 37,570,602 | 2,021,156 | 190,816 | 39,400,942 |
| Governmental Activities Capital Assets, Net | $ 48,135,328 | $ 9,323,615 | $ 922,589 | $ 56,536,354 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Governmental Activities: | |
| Instruction | $ 146,137 |
| Instructional Library, Media and Technology | 264,871 |
| School Site Administration | 157,307 |
| Home-to-School Transportation | 53,496 |
| Food Services | 34,062 |
| Community Services | 4,555 |
| All Other General Administration | 29,694 |
| Data Processing | 3,366 |
| Plant Services | 431,254 |
| Depreciation (Unallocated) | 896,414 |
| Total Depreciation Expense | $ 2,021,156 |

## 7. LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2019, is shown below:

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds | $ 29,046,793 | $ 18,000,000 | $ 3,043,904 | $ 44,002,889 | $ 3,452,944 |
| Bond Premium | - | 2,223,011 | - | 2,223,011 | 85,500 |
| Other Postemployment Benefits | 11,306,205 | 230,794 | - | 11,536,999 | - |
| Capital Leases | 71,466 | - | 71,466 | - | - |
| Net Pension Liability | 54,282,844 | 3,717,351 | - | 58,000,195 | - |
| Other General Long-Term Debt | 533,588 | - | 533,588 | - | - |
| Total | $ 95,240,896 | $ 24,171,156 | $ 3,648,958 | $ 115,763,094 | $ 3,538,444 |

### BONDED DEBT

The outstanding general obligation bonded debt of the District at June 30, 2019, is the following:

| Bond | Date of Bond | Years of Maturity | Rate of Interest | Amount of Original Issue | Bonds Outstanding July 1, 2018 | Issued During Year | Matured During Year | Bonds Outstanding June 30, 2019 |
|---|---|---|---|---|---|---|---|---|
| 1999 Series A | 7/1/1999 | 2000-2025 | 3.40-4.85% | $ 19,333,846 | $ 5,125,767 | $ - | $ 818,904 | $ 4,306,863 |
| 1999 Series B | 6/1/2002 | 2005-2027 | 3.00-4.85% | 6,466,026 | 3,921,026 | - | 525,000 | 3,396,026 |
| 2017 Series A | 5/9/2017 | 2019-2043 | 3.00-5.00% | 20,000,000 | 20,000,000 | - | 1,700,000 | 18,300,000 |
| 2019 Series B | 4/25/2019 | 2021-2045 | 3.00-5.00% | 18,000,000 | - | 18,000,000 | - | 18,000,000 |
| | | | | $ 63,799,872 | $ 29,046,793 | $ 18,000,000 | $ 3,043,904 | $ 44,002,889 |

The annual requirement to amortize the 1999 Series A general obligation bonds payable, outstanding at June 30, 2019, is as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 787,944 | $ 1,612,056 | $ 2,400,000 |
| 2021 | 757,736 | 1,692,264 | 2,450,000 |
| 2022 | 729,675 | 1,770,325 | 2,500,000 |
| 2023 | 702,219 | 1,847,781 | 2,550,000 |
| 2024 | 675,402 | 1,924,598 | 2,600,000 |
| 2025 | 653,887 | 1,996,113 | 2,650,000 |
| Total | $ 4,306,863 | $ 10,843,137 | $ 15,150,000 |

The annual requirement to amortize the 1999 Series B general obligation bonds payable, outstanding at June 30, 2019, is as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 590,000 | $ 46,023 | $ 636,023 |
| 2021 | 660,000 | 248,727 | 908,727 |
| 2022 | 254,556 | 491,495 | 746,051 |
| 2023 | 257,455 | 542,614 | 800,069 |
| 2024 | 257,317 | 601,884 | 859,201 |
| 2025-27 | 1,376,698 | 4,080,260 | 5,456,958 |
| Total | $ 3,396,026 | $ 6,011,003 | $ 9,407,029 |

The annual requirement to amortize the 2017 Series A general obligation bonds payable, outstanding at June 30, 2019, is as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 1,650,000 | $ 793,850 | $ 2,443,850 |
| 2021 | 1,150,000 | 737,850 | 1,887,850 |
| 2022 | 100,000 | 712,850 | 812,850 |
| 2023 | 145,000 | 707,225 | 852,225 |
| 2024 | 180,000 | 699,100 | 879,100 |
| 2025-29 | 1,560,000 | 3,309,250 | 4,869,250 |
| 2030-34 | 2,975,000 | 2,792,775 | 5,767,775 |
| 2035-39 | 4,825,000 | 1,996,350 | 6,821,350 |
| 2040-43 | 5,715,000 | 602,625 | 6,317,625 |
| Total | $ 18,300,000 | $ 12,351,875 | $ 30,651,875 |

The annual requirement to amortize the 2019 Series B general obligation bonds payable, outstanding at June 30, 2019, is as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ - | $ 186,448 | $ 186,448 |
| 2021 | 425,000 | 818,550 | 1,243,550 |
| 2022 | 1,160,000 | 797,300 | 1,957,300 |
| 2023 | 520,000 | 739,300 | 1,259,300 |
| 2024 | 25,000 | 713,300 | 738,300 |
| 2025-29 | 685,000 | 3,518,250 | 4,203,250 |
| 2030-34 | 1,955,000 | 3,233,750 | 5,188,750 |
| 2035-39 | 3,745,000 | 2,642,250 | 6,387,250 |
| 2040-44 | 6,955,000 | 1,753,550 | 8,708,550 |
| 2045 | 2,530,000 | 126,500 | 2,656,500 |
| Total | $ 18,000,000 | $ 14,529,198 | $ 32,529,198 |

The total annual requirement to amortize the general obligation bonds payable, outstanding at June 30, 2019, is summarized below:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 3,027,944 | $ 2,638,377 | $ 5,666,321 |
| 2021 | 2,992,736 | 3,497,391 | 6,490,127 |
| 2022 | 2,244,231 | 3,771,970 | 6,016,201 |
| 2023 | 1,624,674 | 3,836,920 | 5,461,594 |
| 2024 | 1,137,719 | 3,938,882 | 5,076,601 |
| 2025-29 | 4,275,585 | 12,903,873 | 17,179,458 |
| 2030-34 | 4,930,000 | 6,026,525 | 10,956,525 |
| 2035-39 | 8,570,000 | 4,638,600 | 13,208,600 |
| 2040-44 | 12,670,000 | 2,356,175 | 15,026,175 |
| 2045 | 2,530,000 | 126,500 | 2,656,500 |
| Total | $ 44,002,889 | $ 43,735,213 | $ 87,738,102 |

9. BOND PREMIUM

The annual requirement to amortize the 2019 Series B general obligation bond premium, outstanding at June 30, 2019, is as follows:

| Year Ending June 30 | Premium |
|---|---|
| 2020 | $ 85,500 |
| 2021 | 85,500 |
| 2022 | 85,500 |
| 2023 | 85,500 |
| 2024 | 85,500 |
| 2025-29 | 427,502 |
| 2030-34 | 427,503 |
| 2035-39 | 427,503 |
| 2040-44 | 427,503 |
| 2045 | 85,500 |
| Total | $ 2,223,011 |

10. OTHER POSTEMPLOYMENT BENEFITS

General Information About the OPEB Plan

Plan Description.

Alta Loma School District provides medical insurance for all employees who retire from the agency, at the same level as active employees, until the age of 65, or until they become eligible for Medicare Benefits. To qualify for such coverage, the employee must have retired after the minimum age 58 and had been a full-time employee for at least fifteen (15) years prior to retirement, and on active full-time status for the two (2) years prior to retirement. The District provides a cash subsidy up to the current year district cap amount, any health insurance program cost above the cap are paid by the retired employee. The plan is a single-employer defined OPEB plan, administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.*

The following is a description of the current retiree benefit plan:

| | Certificated | Classified | Management |
|---|---|---|---|
| Benefit Types Provided | Medical Only | Medical only | Medical only |
| Duration of Benefits | To age 65 | To age 65 | To age 65 |
| Required Service | 12 years | 15 years | 15 years |
| Minimum Age | 58* | 58* | 58* |
| Dependent Coverage | Yes | Yes | Yes |
| District Contribution % | 100% | 100% | 100% |
| District Cap | Active contribution rate | Active contribution rate | Active contribution rate |

* Certificated and management employees hired before 7/1/05 and classified employee hired before 7/1/04 may retire as early as age 55.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 64 |
| Inactive plan members emtitled to but not yet receiving benefits | - |
| Active plan members | 387 |
| Total | 451 |

Total OPEB Liability

The District total OPEB liability of $11,536,999 was measured as of June 30, 2018 (the measurement date), and was determined using a "roll-forward" technique. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.75% |
| Salary increases | 2.75% |
| Discount rate | 3.80% |
| Healthcare cost trend rate | 4.00% |

The discount rate is based on the Bond Buyer 20 Index with a crossover point of just over one year.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations. Termination rates are based on the most recent rates used by CalPERS and the CalSTRS for the pension valuation.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---|
| Balance at July 1, 2018 | $ 11,306,205 |
| Changes for the year: | |
| Service Cost | 870,500 |
| Interest | 430,291 |
| Assumption Changes | (233,977) |
| Benefit Payments | (836,020) |
| Net changes | 230,794 |
| Balance at June 30, 2019 | $ 11,536,999 |

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 1 percentage point lower or 1 percentage point higher that the current discount rate.

| | 1% Decrease 2.80% | Discount Rate 3.80% | 1% Increase 4.80% |
|---|---|---|---|
| Total OPEB liability (asset) | $ 12,235,383 | $ 11,536,999 | $ 10,856,266 |

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 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

| | 1% Decrease 3.00% | Healthcare Cost Trend Rate 4.00% | 1% Increase 5.00% |
|---|---|---|---|
| Net OPEB liability (asset) | $ 8,778,455 | $ 11,536,999 | $ 14,994,747 |

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

For the year ended June 30, 2019, the District recognized OPEB expense of $(1,152,641). At June 30, 2019 the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| District contributions after the measurement date | $ 718,052 | $ - |
| Changes in assumptions or other inputs | - | 213,806 |
| Total | $ 718,052 | $ 213,806 |

## 11. NET PENSION LIABILITY

### General Information About the Pension Plans

### Plan Descriptions

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS) and certificated employees are members of the California State Teachers' Retirement System (CalSTRS). Benefit provisions under the plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalPERS and CalSTRS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

### Benefits Provided

CalPERS and CalSTRS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of service credit for each year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013, are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | CalPERS | | CalSTRS | |
|---|---|---|---|---|
| | Before | On or After | Before | On or After |
| Hire Date | January 1, 2013 | January 1, 2013 | January 1, 2013 | January 1, 2013 |
| Benefit Formula | 2% at 55 | 2% at 62 | 2% at 60 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly for Life | Monthly for Life | Monthly for Life |
| Retirement Age | 50-62 | 52-67 | 50-62 | 55-67 |
| Monthly benefits, as a % of eligible compensation | 1.1 - 2.5% | 1.0 - 2.5% | 1.1 - 2.4% | 1.0 - 2.4%* |
| Required employee contribution rates (average) | 7.000% | 7.000% | 10.205% | 10.205% |
| Required employer contribution rates | 18.062% | 18.062% | 16.280% | 16.280% |

*Amounts are limited to 120% of Social Security Wage Base.

Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid 6.00%, and the employer contribution rate was 13.88% of annual payroll. For the fiscal year ending June 30, 2019, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 7.00%, and the employer's contribution rate was 18.062%.

On-Behalf Payments

Consistent with Section 20825.2 of the Government Code, the State of California appropriated $904,000,000 from the General Fund for the 2018-19 fiscal year to be apportioned as follows:

a) $144,000,000 to pay in advance, on behalf of school employers, part of the contributions required by school employers pursuant to this part for the 2019-20 fiscal year.

b) $100,000,000 to pay in advance, on behalf of school employers, part of the contributions required by school employers pursuant to this part for the 2020-21 fiscal year.

c) $660,000,000 shall be applied to the unfunded liabilities for the school employers whose assets and liabilities are merged pursuant to subdivision (a) of Section 20618.

Any payments made pursuant to this section shall not discharge the school employers for any remaining amounts due and payable pursuant to this part.

Contributions - CalSTRS

For the measurement period ended June 30, 2018 (measurement date), Section 22950 of the California Education Code requires members to make monthly contributions 10.205% of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.280% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Section 22950.5 states, "For fiscal year 2021-22 and each fiscal year thereafter, the board shall increase or decrease the percentages paid specified in this section from the percentage paid during the prior fiscal year to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the board based upon a recommendation from its actuary."

On-Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2018 (measurement date), the State contributed 9.125% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Contributions Recognized

For the year ended June 30, 2019, the contributions recognized as part of pension expense for each plan were as follows:

| | CalPERS | CalSTRS |
|---|---|---|
| Contributions - Employer | $ 1,113,440 | $ 3,638,038 |
| Contributions - Employee (paid by employer) | 465,994 | 2,319,455 |
| Contributions - State On-Behalf Payments | - | 1,998,371 |
| Total | $ 1,579,434 | $ 7,955,864 |

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

As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of each plan as follows:

| | Proportionate Share of Net Pension Liability |
|---|---|
| CalPERS | $ 14,491,421 |
| CalSTRS | 43,508,774 |
| Total Net Pension Liablility | $ 58,000,195 |

The District's net pension liability for each plan is measured as the proportionate share of the net pension liability as of June 30, 2018. The total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined

For the year ended June 30, 2019, the District recognized pension expense of $10,141,360. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 10,206,330 | $ - |
| Differences between actual and expected experience | 1,084,923 | 631,989 |
| Changes in assumptions | 8,206,109 | - |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | - |
| Net difference between projected and actual earnings on plan investments | 118,862 | 1,675,363 |
| Total | $ 19,616,224 | $ 2,307,352 |

$10,206,330 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30 | |
|---|---|
| 2020 | $ 3,064,892 |
| 2021 | 2,056,750 |
| 2022 | (222,792) |
| 2023 | 837,295 |
| 2024 | 1,373,853 |
| Thereafter | (7,456) |
| Total | $ 7,102,542 |

Actuarial Assumptions

The total pension liabilities in the June 30, 2018, actuarial valuations were determined using the following actuarial assumptions:

| | CalPERS | CalSTRS |
|---|---|---|
| Valuation Date | June 30, 2017 | June 30, 2017 |
| Measurement Date | June 30, 2018 | June 30, 2018 |
| Actuarial Cost Method | Entry Age - Normal | Entry Age - Normal |
| Actuarial Assumptions | | |
| Discount Rate | 7.15% | 7.10% |
| Inflation | 2.50% | 2.75% |
| Payroll Growth | 3.00% | 3.50% |
| Projected Salary Increase | Varies * | Varies * |
| Investment Rate of Return | 7.15% # | 7.25% # |
| Mortality | Varies & | Varies & |

* Depending on age, service and type of employment
# Net of pension plan investment expenses, including inflation
& Depending on age, gender and type of job

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for CalPERS and 7.10% for CalSTRS. To determine whether the District bond rate should be used in calculation of a discount rate for each plan, CalPERS and CalSTRS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan.

The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS and CalSTRS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS and CalSTRS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalPERS and CalSTRS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2018-19 fiscal year. CalPERS and CalSTRS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS and CalSTRS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| | CalSTRS | |
|---|---|---|
| Asset Class | Assumed Assets Allocation | Long Term Expected Rate of Return* |
| Global Equity | 47.00% | 6.30% |
| Fixed Income | 12.00% | 0.30% |
| Inflation Sensitive | 4.00% | 3.80% |
| Private Equity | 13.00% | 9.30% |
| Real Estate | 13.00% | 5.20% |
| Liquidity | 2.00% | -1.00% |
| Risk Mitigating Strategies | 9.00% | 2.90% |

* 20-year average

| | CalPERS | | |
|---|---|---|---|
| Asset Class | Assumed Asset Allocation | Real Return (Years 1-10) * | Real Return (Years 11+) # |
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | - | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | - | -0.92% |

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

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

The following represents the District's proportionate share of the net pension liability for each plan, calculated using the discount rate for each plan, 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 or 1 percentage point higher than the current rate:

| | CalPERS | CalSTRS |
|---|---|---|
| 1% Decrease | 6.15% | 6.10% |
| Net Pension Liability | $ 21,098,816 | $ 63,735,262 |
| Current Discount Rate | 7.15% | 7.10% |
| Net Pension Liability | $ 14,491,421 | $ 43,508,774 |
| 1% Increase | 8.15% | 8.10% |
| Net Pension Liability | $ 9,009,641 | $ 26,739,052 |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and CalSTRS financial reports.

## 12. JOINT POWERS AGREEMENTS

The District has entered into joint powers agreements (JPAs) with other governmental units, as allowed by the California Government Code. These JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements; however, fund transactions between the entities and Alta Loma School District are included in these statements. Summarized below is certain information on these entities:

California Schools Risk Management (CSRM)

| | |
|---|---|
| Purpose | To arrange and provide for workers' compensation, property liability, and fringe benefits insurance coverage. |
| Participants | Numerous Riverside and San Bernardino County school districts. |
| Governing Board | Nine members; one representative from each member district. |

California Schools' Employee Benefits Association (CSEBA)

| | |
|---|---|
| Purpose | To arrange for and provide employee health and welfare coverage for all members. |
| Participants | School districts in Southern California. |
| Governing Board | A representative from each member district. |

Inland Personnel Council (IPC)

| | |
|---|---|
| Purpose | To provide legal services, advice and professional development in the areas of employer/employee relations, contract management and collective bargaining. |
| Participants | Other school districts in San Bernardino and Riverside Counties. |
| Governing Board | Superintendents of San Bernardino and Riverside County and two representatives each from San Bernardino and Riverside Counties. |

Condensed audited financial information for the JPAs is as follows:

| | CSRM June 30, 2018 | CSEBA June 30, 2018 |
|---|---|---|
| Total Assets | $ 77,532,077 | $ 58,821,912 |
| Total Liabilities | 31,139,862 | 18,571,042 |
| Net Position | $ 46,392,215 | $ 40,250,870 |
| Total Revenues | $ 45,348,340 | $ 250,052,399 |
| Total Expenditures | 44,169,661 | 245,590,283 |
| Net Increase (Decrease) in Net Position | $ 1,178,679 | $ 4,462,116 |

Financial information for IPC was not available.

## 13. COMMITMENTS AND CONTINGENCIES

### A. Federal and State Allowances, Awards and Grants

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 generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

### B. Litigation

Various claims and litigation involving the District are currently outstanding. However, management of the District believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

### C. Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to unfinished capital projects:

| Capital Projects | Commitments | Completion |
|---|---|---|
| Deer Canyon New Building | $ 2,943,346 | 12/31/2019 |
| Victoria Groves Shade Structure | 532,574 | 7/31/2019 |
| Alta Loma Junior High School | 7,060,008 | 6/30/2020 |
| Vineyard Junior High School | 7,284,126 | 6/30/2020 |
| Classroom AV Upgrade | 675,000 | 6/30/2022 |

Required Supplementary
Information

ALTA LOMA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
**GENERAL FUND**
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual (GAAP Basis) | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| REVENUES | | | | |
| Local Control Funding Formula Sources: | | | | |
| State Apportionments | $ 35,509,888 | $ 36,091,807 | $ 33,335,958 | $ (2,755,849) |
| Education Protection Account Funds | 6,992,710 | 7,223,441 | 8,960,137 | 1,736,696 |
| Local Sources | 7,565,655 | 7,365,655 | 8,274,546 | 908,891 |
| Total LCFF Sources | 50,068,253 | 50,680,903 | 50,570,641 | (110,262) |
| Federal Revenues | 1,501,081 | 1,821,471 | 1,499,610 | (321,861) |
| Other State Revenues | 3,495,463 | 5,426,254 | 7,882,326 | 2,456,072 |
| Other Local Revenues | 4,519,113 | 4,738,296 | 6,310,026 | 1,571,730 |
| Total Revenues | 59,583,910 | 62,666,924 | 66,262,603 | 3,595,679 |
| EXPENDITURES | | | | |
| Certificated Salaries | 26,515,332 | 27,712,530 | 27,153,209 | 559,321 |
| Classified Salaries | 9,101,273 | 9,730,439 | 9,520,580 | 209,859 |
| Employee Benefits | 14,541,427 | 17,251,742 | 18,646,570 | (1,394,828) |
| Books and Supplies | 3,632,227 | 4,565,874 | 2,549,734 | 2,016,140 |
| Services and Other Operating Expenditures | 4,933,238 | 5,851,887 | 5,065,927 | 785,960 |
| Other Outgo | 341,872 | 341,872 | 293,423 | 48,449 |
| Direct Support/Indirect Costs | (123,632) | (120,223) | (115,920) | (4,303) |
| Capital Outlay | 370,121 | 165,554 | 86,246 | 79,308 |
| Debt Service: | | | | |
| Principal | 67,477 | 67,477 | 67,477 | - |
| Interest | 8,216 | 8,216 | 8,216 | - |
| Total Expenditures | 59,387,551 | 65,575,368 | 63,275,462 | 2,299,906 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 196,359 | (2,908,444) | 2,987,141 | 5,895,585 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Interfund Transfers Out | (578,926) | (200,000) | (175,000) | 25,000 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) | $ (382,567) | $ (3,108,444) | 2,812,141 | $ 5,920,585 |
| FUND BALANCE - JULY 1, 2018 | | | 19,851,015 | |
| FUND BALANCE - JUNE 30, 2019 | | | $ 22,663,156 | |

See accompanying Notes to Required Supplementary Information.

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS*
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Fiscal Year 2019 | Fiscal Year 2018 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ 870,500 | $ 847,202 |
| Interest | 430,291 | 381,209 |
| Assumption Changes | (233,977) | - |
| Benefit payments | (836,020) | (803,865) |
| Net Change in OPEB Liability | 230,794 | 424,546 |
| Total OPEB Liability-Beginning | 11,306,205 | 10,881,659 |
| Total OPEB Liability-Ending | $ 11,536,999 | $ 11,306,205 |
| Covered - Employee Payroll | $ 37,255,678 | $ 32,444,786 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 30.97% | 34.85% |

Notes to Schedule:
The discount rate was changed from 3.50% to 3.80%

See accompanying Notes to Required Supplementary Information.

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS LAST TEN FISCAL YEARS*
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | CalPERS | | | | |
|---|---|---|---|---|---|
| | Fiscal Year 2019 | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
| District's proportion of the net pension liability | 0.05435% | 0.05337% | 0.05258% | 0.05069% | 0.05237% |
| District's proportionate share of the net pension liability | $ 14,491,421 | $ 12,740,828 | $ 10,384,583 | $ 7,471,756 | $ 5,945,270 |
| District's covered-employee payroll | $ 7,169,146 | $ 6,806,300 | $ 6,308,534 | $ 5,611,698 | $ 5,497,247 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 202.14% | 187.19% | 164.61% | 133.15% | 108.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.85% | 71.87% | 73.90% | 79.43% | 83.38% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALSTRS LAST TEN FISCAL YEARS*
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | CalSTRS | | | | |
|---|---|---|---|---|---|
| | Fiscal Year 2019 | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
| District's proportion of the net pension liability | 0.04734% | 0.04492% | 0.04490% | 0.04590% | 0.04174% |
| District's proportionate share of the net pension liability | $ 43,508,774 | $ 41,542,016 | $ 36,315,569 | $ 30,901,716 | $ 24,391,604 |
| State's proportionate share of the net pension liability associated with the District | 15,841,110 | 15,441,167 | 13,175,288 | 10,689,831 | 9,183,439 |
| Total | $ 59,349,884 | $ 56,983,183 | $ 49,490,857 | $ 41,591,547 | $ 33,575,043 |
| District's covered-employee payroll | $ 25,197,769 | $ 23,805,103 | $ 22,308,211 | $ 21,212,286 | $ 18,497,030 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 172.67% | 174.51% | 162.79% | 145.68% | 115.86% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.99% | 69.46% | 70.04% | 74.02% | 76.52% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALPERS LAST TEN FISCAL YEARS*
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | CalPERS | | | | |
|---|---|---|---|---|---|
| | Fiscal Year 2019 | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
| Contractually required contribution | $ 1,387,575 | $ 1,113,199 | $ 945,428 | $ 747,372 | $ 660,553 |
| Contributions in relation to the contractually required contribution | 1,387,575 | 1,113,199 | 945,428 | 747,372 | 660,553 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ - | $ 7,167,592 | $ 6,807,517 | $ 6,308,534 | $ 5,611,698 |
| Contributions as a percentage of covered-employee payroll | 18.062% | 15.531% | 13.888% | 11.847% | 11.771% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALSTRS LAST TEN FISCAL YEARS*
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | CalSTRS | | | | |
|---|---|---|---|---|---|
| | Fiscal Year 2019 | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 |
| Contractually required contribution | $ 4,356,215 | $ 3,647,499 | $ 2,991,914 | $ 2,393,671 | $ 1,833,651 |
| Contributions in relation to the contractually required contribution | 4,356,215 | 3,647,499 | 2,991,914 | 2,393,671 | 1,833,651 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| District's covered-employee payroll | $ 26,760,454 | $ 25,277,194 | $ 23,783,100 | $ 22,308,211 | $ 21,212,286 |
| Contributions as a percentage of covered-employee payroll | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

ALTA LOMA SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

1. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2019, expenditures exceeded appropriations in individual funds as follows:

| Appropriations Category | Excess Expenditures |
|---|---|
| General Fund | |
| Employee Benefits | $ 1,394,828 |
| Direct Support/Indirect Costs | 4,303 |

2. PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

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

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

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

Schedule of Proportionate Share of the Net Pension Liability

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

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

Schedule of Pension Contributions

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

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

## 3. SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes - PERS

There were no changes to benefit terms that applied to all members of the Schools Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Serve Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Changes of Assumptions - PERS

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Changes of Assumptions - STRS

The investment return assumption was reduced from 7.50 percent in the 2015 valuation, to 7.25 percent in the 2016 valuation, and then to 7.00 percent for the 2017 valuation.

Supplementary Information

ALTA LOMA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

| | CAFETERIA FUND | PUPIL TRANSPORTATION EQUIPMENT FUND | TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Cash | | | |
| Cash in County Treasury | $ 207,394 | $ 1,001 | $ 208,395 |
| Cash on Hand and in Banks | 91,721 | - | 91,721 |
| Revolving Fund | 800 | - | 800 |
| Accounts Receivable | 118,010 | 38 | 118,048 |
| Due From Other Funds | 3,229 | - | 3,229 |
| Inventory | 54,561 | - | 54,561 |
| TOTAL ASSETS | $ 475,715 | $ 1,039 | $ 476,754 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts Payable | $ 57,670 | $ - | $ 57,670 |
| Due From Other Funds | 256,949 | - | 256,949 |
| Unearned Revenue | 20,270 | - | 20,270 |
| Total Liabilities | 334,889 | - | 334,889 |
| Fund Balances | | | |
| Nonspendable | 55,361 | - | 55,361 |
| Restricted | 29,149 | - | 29,149 |
| Assigned | 56,316 | 1,039 | 57,355 |
| Total Fund Balances | 140,826 | 1,039 | 141,865 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 475,715 | $ 1,039 | $ 476,754 |

The Notes to Financial Statements are an integral part of this statement.

ALTA LOMA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | CAFETERIA FUND | PUPIL TRANSPORTATION EQUIPMENT FUND | TOTAL |
|---|---|---|---|
| REVENUES | | | |
| Federal Revenue | $ 1,387,140 | $ - | $ 1,387,140 |
| Other State Revenue | 121,132 | - | 121,132 |
| Other Local Revenue | 844,818 | 187 | 845,005 |
| Total Revenues | 2,353,090 | 187 | 2,353,277 |
| EXPENDITURES | | | |
| Home to School Transportation | - | 10,000 | 10,000 |
| Food Services | 2,399,498 | - | 2,399,498 |
| All Other General Administration | 115,920 | - | 115,920 |
| Total Expenditures | 2,515,418 | 10,000 | 2,525,418 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (162,328) | (9,813) | (172,141) |
| FUND BALANCES - JULY 1, 2018 | 303,154 | 10,852 | 314,006 |
| FUND BALANCES - JUNE 30, 2019 | $ 140,826 | $ 1,039 | $ 141,865 |

The Notes to Financial Statements are an integral part of this statement.

ALTA LOMA SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2019

| | CAPITAL FACILTIES FUND | SPECIAL RESERVE FUND | TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Cash | | | |
| Cash in County Treasury | $ 163,352 | $ 12,357 | $ 175,709 |
| Accounts Receivable | 3,122 | 70 | 3,192 |
| Due From Other Funds | 4,012 | - | 4,012 |
| TOTAL ASSETS | $ 170,486 | $ 12,427 | $ 182,913 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts Payable | $ 170,486 | $ - | $ 170,486 |
| Fund Balances | | | |
| Restricted | - | 12,427 | 12,427 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 170,486 | $ 12,427 | $ 182,913 |

The Notes to Financial Statements are an integral part of this statement.

ALTA LOMA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | CAPITAL FACILITIES FUND | SPECIAL RESERVE FUND | TOTAL |
|---|---|---|---|
| REVENUES | | | |
| Other Local Revenues | $ 24,614 | $ 239 | $ 24,853 |
| EXPENDITURES | | | |
| Facilities Acquisition and Construction | 1,866,757 | - | 1,866,757 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,842,143) | 239 | (1,841,904) |
| FUND BALANCES - JULY 1, 2018 | 1,842,143 | 12,188 | 1,854,331 |
| FUND BALANCES - JUNE 30, 2019 | $ - | $ 12,427 | $ 12,427 |

The Notes to Financial Statements are an integral part of this statement.

# ALTA LOMA SCHOOL DISTRICT
## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
## STUDENT BODY FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | BALANCE JULY 1, 2018 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2019 |
|---|---|---|---|---|
| Alta Loma Junior High | | | | |
| ASSETS | | | | |
| Cash on Hand and in Banks | $ 26,030 | $ 121,559 | $ 109,877 | $ 37,712 |
| Inventory | - | 30,105 | - | 30,105 |
| TOTAL ASSETS | $ 26,030 | $ 151,664 | $ 109,877 | $ 67,817 |
| LIABILITIES | | | | |
| Accounts Payable | $ - | $ - | $ - | $ - |
| Due to Student Groups | | | | |
| General ASB Accounts | 26,030 | 151,664 | 109,877 | 67,817 |
| TOTAL LIABILITIES | $ 26,030 | $ 151,664 | $ 109,877 | $ 67,817 |
| Vineyard Junior High | | | | |
| ASSETS | | | | |
| Cash on Hand and in Banks | $ 24,208 | $ 218,988 | $ 210,846 | $ 32,350 |
| Inventory | 14,561 | 15,729 | 14,561 | 15,729 |
| TOTAL ASSETS | $ 38,769 | $ 234,717 | $ 225,407 | $ 48,079 |
| LIABILITIES | | | | |
| Accounts Payable | $ 4,491 | $ - | $ 4,491 | $ - |
| Due to Student Groups | | | | |
| General ASB Accounts | 34,278 | 234,717 | 220,916 | 48,079 |
| TOTAL LIABILITIES | $ 38,769 | $ 234,717 | $ 225,407 | $ 48,079 |
| Elementary Schools | | | | |
| ASSETS | | | | |
| Cash on Hand and in Banks | $ 130,085 | $ 184,851 | $ 195,204 | $ 119,732 |
| TOTAL ASSETS | $ 130,085 | $ 184,851 | $ 195,204 | $ 119,732 |
| LIABILITIES | | | | |
| Accounts Payable | $ - | $ - | $ - | $ - |
| Due to Student Groups | | | | |
| General ASB Accounts | 130,085 | 184,851 | 195,204 | 119,732 |
| TOTAL LIABILITIES | $ 130,085 | $ 184,851 | $ 195,204 | $ 119,732 |
| Total | | | | |
| ASSETS | | | | |
| Cash on Hand and in Banks | $ 180,323 | $ 525,398 | $ 515,927 | $ 189,794 |
| Inventory | 14,561 | 45,834 | 14,561 | 45,834 |
| TOTAL ASSETS | $ 194,884 | $ 571,232 | $ 530,488 | $ 235,628 |
| LIABILITIES | | | | |
| Accounts Payable | $ 4,491 | $ - | $ 4,491 | $ - |
| Due to Student Groups | | | | |
| General ASB Accounts | 190,393 | 571,232 | 525,997 | 235,628 |
| TOTAL LIABILITIES | $ 194,884 | $ 571,232 | $ 530,488 | $ 235,628 |

The Notes to Financial Statements are an integral part of this statement.

ALTA LOMA SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
ELEMENTARY SCHOOLS
STUDENT BODY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| ELEMENTARY SCHOOLS | BALANCE JULY 1, 2018 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2019 |
|---|---|---|---|---|
| Banyan | $ 27,114 | $ 49,916 | $ 51,565 | $ 25,465 |
| Carnelian | 7,330 | 13,982 | 14,578 | 6,734 |
| Deer Canyon | 21,042 | 8,452 | 5,969 | 23,525 |
| Hermosa | 609 | 1,684 | 2,069 | 224 |
| Floyd M. Stork | 37,311 | 42,279 | 36,204 | 43,386 |
| Victoria Groves | 36,679 | 68,538 | 84,819 | 20,398 |
| Total | $ 130,085 | $ 184,851 | $ 195,204 | $ 119,732 |

The Notes to Financial Statements are an integral part of this statement.

SCHEDULE 1

# ALTA LOMA SCHOOL DISTRICT
## GOVERNING BOARD AND ORGANIZATION
JUNE 30, 2019

### GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Sandra Oerly | President | November 2022 |
| Rebecca Davies | Vice President | November 2022 |
| Caryn Payzant | Clerk | November 2022 |
| Brad Buller | Member | November 2020 |
| Dave Roberts | Member | November 2020 |

### ADMINISTRATION

| | |
|---|---|
| James Moore | Superintendent |
| Lori Thompson | Associate Superintendent, Educational Services |
| Steve Thomas | Associate Superintendent, Administrative Services |

### ORGANIZATION

The Alta Loma School District was established as an elementary school district in 1885, and provides education for children from transitional kindergarten through eighth grade. The District encompasses an area of approximately twenty-five square miles located in San Bernardino County. The District maintained eight elementary schools and two junior high schools. During the fiscal year 2018-19, there were no changes in the District's boundaries.

SCHEDULE 2

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Second Period Report 7685E5F2 | Annual Report 7E6F84FF |
|---|---|---|
| TK/K-3 | | |
| Regular | 2,583.00 | 2,588.81 |
| Extended Year Special Education | 0.00 | 5.99 |
| Special Education - NPS | 0.58 | 0.58 |
| Subtotal Grades TK/K-3 | 2,583.58 | 2,595.38 |
| Grades 4-6 | | |
| Regular | 1,850.45 | 1,852.44 |
| Extended Year Special Education | 0.52 | 2.71 |
| Special Education - NPS | 2.60 | 3.11 |
| Subtotal Grades 4-6 | 1,853.57 | 1,858.26 |
| Grades 7-8 | | |
| Regular | 1,368.55 | 1,367.68 |
| Extended Year Special Education | 0.19 | 0.91 |
| Special Education - NPS | 0.81 | 0.97 |
| Subtotal Grades 7-8 | 1,369.55 | 1,369.56 |
| Grand Total | 5,806.70 | 5,823.20 |

SCHEDULE 3

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| GRADE LEVEL | 1986-87 MINUTES REQUIREMENT | 2018-19 ACTUAL MINUTES | NUMBER OF DAYS TRADITIONAL CALENDAR | NUMBER OF DAYS MULTITRACK CALENDAR | STATUS |
|---|---|---|---|---|---|
| Kindergarten | 36,000 | 36,000 | 180 | N/A | In Compliance |
| Grades 1-3 | 50,400 | 52,660 | 180 | N/A | In Compliance |
| Grades 4-8 | 54,000 | 54,610 | 180 | N/A | In Compliance |

Note: The District participated in Longer Day incentives and has met its target funding.

SCHEDULE 4

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| GENERAL FUND | (BUDGET) 2020* | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Revenues and Other Financial Sources | $ 60,932,507 | $ 66,262,603 | $ 58,825,729 | $ 57,492,042 |
| Expenditures | 62,728,174 | 63,275,462 | 56,849,772 | 55,672,829 |
| Other Uses and Transfers Out | 236,917 | 175,000 | 200,000 | 350,000 |
| Total Outgo | 62,965,091 | 63,450,462 | 57,049,772 | 56,022,829 |
| Change in Fund Balance | $ (2,032,584) | $ 2,812,141 | $ 1,775,957 | $ 1,469,213 |
| Ending Fund Balance | $ 1,795,667 | $ 2,812,141 | $ 19,851,015 | $ 18,075,058 |
| Available Reserves | $ 19,223,384 | $ 20,439,973 | $ 14,861,122 | $ 12,815,931 |
| Reserve for Economic Uncertainties | $ 1,965,634 | $ 1,839,601 | $ 1,711,493 | $ 1,590,000 |
| Unassigned Fund Balance | $ 17,257,750 | $ 18,600,372 | $ 13,149,629 | $ 11,225,931 |
| Available Reserves as a Percentage of Total Outgo | 30.53% | 32.21% | 26.05% | 22.88% |
| Total Long-Term Debt | ** | $ 115,763,094 | $ 89,146,836 | $ 51,359,686 |
| Average Daily Attendance at P-2 | 5,828 | 5,807 | 5,749 | 5,701 |

The General Fund balance has increased by $4,588,098 over the past two years. The fiscal year 2019-20 budget projects a decrease of $2,032,584. For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. Alta Loma School District has met the State's minimum requirements.

Average daily attendance has increased by 106 over the past two years. An increase of 21 ADA is anticipated during fiscal year 2019-20.

* Based on July 1 budget, included for analytical purposes only and has not been subjected to audit.
** Not determined.

SCHEDULE 5

# ALTA LOMA SCHOOL DISTRICT
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE | FEDERAL CATALOG NUMBER | PASS-THROUGH ENTITY IDENTIFYING NUMBER | CLUSTER EXPENDITURES | FEDERAL EXPENDITURES |
|---|---|---|---|---|
| GENERAL FUND | | | | |
| U.S. Department of Education | | | | |
| Passed through the California Department of Education (CDE): | | | | |
| ✱ Special Education, Local Assistance | 84.027 | 13379 | | $ 814,909 |
| Title I | 84.010 | 14329 | | 561,070 |
| Title II, Supporting Effective Instruction | 84.367 | 14341 | | 56,967 |
| Title III, LEP | 84.365 | 14346 | | 46,484 |
| Total Department of Education | | | | 1,479,430 |
| U.S. Department of Health & Human Services | | | | |
| Passed through CDE: | | | | |
| MediCal Billing Option | 93.778 | 10013 | 80,549 | |
| MediCal Administrative Activities | 93.778 | 10060 | 20,150 | |
| Total Health & Human Services | | | | 100,699 |
| Total General Fund | | | | 1,580,129 |
| CAFETERIA FUND | | | | |
| U.S. Department of Agriculture: | | | | |
| Passed through CDE: | | | | |
| Child Nutrition Cluster: | | | | |
| National School Lunch | 10.555 | 13391, 13396 | $ 1,033,948 | |
| Basic Breakfast | 10.553 | 13390 | 8,173 | |
| Especially Needy Breakfast | 10.553 | 13326 | 161,925 | |
| Donated Food Commodities | | | 183,094 | |
| Total Department of Agriculture | | | | 1,387,140 |
| Total Federal Expenditures | | | | $ 2,967,269 |
| Reconciliation of Federal Awards | | | | |
| Total Federal Expenditures | | | | $ 2,967,269 |
| MediCal Billing Options (Expenditures from reserves) | 93.778 | 10013 | | (80,519) |
| Total Federal Revenues | | | | $ 2,886,750 |

✱ Major Program

SCHEDULE 6

# ALTA LOMA SCHOOL DISTRICT
## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT FORM WITH AUDITED FINANCIAL STATEMENTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | GENERAL FUND | CAFETERIA FUND | DEFERRED MAINTENANCE FUND | SPECIAL RESERVE FUND | POSTEMPLOYMENT BENEFITS FUND |
|---|---|---|---|---|---|
| June 30, 2019, Annual Financial and Budget Report Form Fund Balances | $ 22,663,156 | $ 175,427 | $ 215,391 | $ 1,339,933 | $ 1,217,366 |
| Adjustments and Reclassifications | | | | | |
| Increase Cash Collection Awaiting Deposit for: | | | | | |
| Clerical Error | - | - | - | - | 10,000 |
| Increase (Decrease) Inventory for: | | | | | |
| June 30, 2019 count | - | (34,601) | - | - | - |
| Increase (Decrease) Fund Balance for: | | | | | |
| GASB 54 Reporting Requirement | 2,782,690 | - | (215,391) | (1,339,933) | (1,227,366) |
| June 30, 2019, Audited Financial Statements Fund Balances | $ 25,445,846 | $ 140,826 | $ - | $ - | $ - |

ALTA LOMA SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

1. PURPOSE OF SCHEDULES

A. 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 entities. This schedule provides information regarding the attendance of students at various grade spans and in different programs.

B. Schedule of Instructional Time

Districts, including basic aid districts, must maintain their instructional minutes at 1986-87 requirements, as required by Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the incentives for Longer Instructional Day. The District has not met or exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

C. Schedule of Financial Trends and Analysis

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

D. Schedule of Expenditures of Federal Awards

Basis of Presentation

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

The Uniform Guidance requires a disclosure of the financial activities of all Federally funded programs. This schedule was prepared to comply with the Uniform Guidance. The District did not elect to use the 10 percent de minimis indirect cost rate.

E. Reconciliation of Annual Financial and Budget Report Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt as reported on the Annual Form to the audited financial statements.

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

Independent Auditor's Report

To the Governing Board
Alta Loma School District
Alta Loma, 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 Alta Loma School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Alta Loma School District's basic financial statements, and have issued our report thereon dated December 9, 2019.

**Internal Control Over Financial Reporting**

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

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

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

We noted certain matters that we reported to management of Alta Loma School District in a separate letter dated December 9, 2019.

Member:

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Alta Loma 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Jeanette L Bacon + Associates

San Bernardino, California
December 9, 2019

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

Independent Auditor's Report

To the Governing Board
Alta Loma School District
Alta Loma, California

**Report on Compliance for Each Major Federal Program**

We have audited Alta Loma School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alta Loma School District's major federal programs for the year ended June 30, 2019. Alta Loma School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Alta Loma District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Alta Loma School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**

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

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

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

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

Jeanette L Bacon + Associates

San Bernardino, California
December 9, 2019

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Governing Board
Alta Loma School District
Alta Loma, California

**Report On State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for fiscal year ended June 30, 2019.

***Management's Responsibility for State Compliance***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each applicable program as identified in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

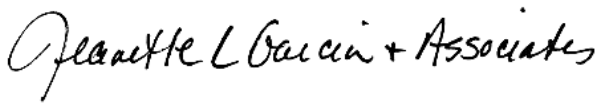
| | Procedures Performed |
|---|---|
| Local Education Agencies Other Than Charter Schools: | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | No (see below) |
| Continuation Education | Not Applicable |

| | Procedures Performed |
|---|---|
| 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 | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| School Districts, County Offices of Education, and Charter Schools: | |
| California Clean Energy Jobs Act | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| Charter Schools: | |
| Attendance | Not Applicable |
| Mode of Instruction | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes - Classroom Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

We did not test Independent Study because the ADA was below the level required for testing. We did not test the Early Retirement Incentive Program because the District did not participate in the program.

**Opinion on State Compliance**

In our opinion, Alta Loma School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.



San Bernardino, California
December 9, 2019

Findings and Recommendations

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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? | ____ Yes | ✓ No |
| Significant deficiencies identified? | ____ Yes | ✓ None Reported |
| Noncompliance material to financial statements noted? | ____ Yes | ✓ No |
| Federal Awards | | |
| Internal control over major programs: | | |
| Material weakness(es) identified? | ____ Yes | ✓ No |
| Significant deficiencies identified? | ____ Yes | ✓ None reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with Title 2, CFR Part 200? | ____ Yes | ✓ No |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.027 | Special Education |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 750,000 | |
| Auditee qualified as low-risk auditee? | ✓ Yes | ____ No |
| State Awards | | |
| Internal control over state programs: | | |
| Material weakness(es) identified? | ____ Yes | ✓ No |
| Significant deficiencies identified? | ____ Yes | ✓ None reported |
| Noncompliance material to financial statements noted? | ____ Yes | ✓ No |
| Type of auditor's report issued on compliance for State programs: | Unmodified | |

ALTA LOMA SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Section II – Financial Statement Findings**

None Reported.

**Section III – Federal Award Findings and Questioned Costs**

None Reported.

**Section IV – State Award Findings and Questioned Costs**

None Reported.

ALTA LOMA SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Prior Year Findings and Recommendations:**

There were no findings and recommendations for the fiscal year ended June 30, 2018.

JLG

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San Bernardino, CA 92408
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Fax: (909) 763-2330
www.jlgcpa.net

Jeanette L. Garcia, CPA

To the Governing Board
Alta Loma School District
Alta Loma, California

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alta Loma School District, for the year ended June 30, 2019, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent non-material conditions noted by the audit that we consider important enough to bring to your attention. We previously reported on the District's internal control over financial reporting in our report dated December 9, 2019. The Findings and Recommendations section of the audit report dated December 9, 2019, contains certain reportable conditions in the District's internal control over financial reporting. This letter does not affect our report dated December 9, 2019 on the financial statements of Alta Loma School District.

Cafeteria

The Revolving/Petty Cash Account has not been reconciled all year. Additionally, it was not reconciled at year end June 30, 2018. Therefore, $57.32 of the receipts on hand were dated prior to June 30, 2018. The amount noted on the financials for Petty Cash/Revolving is $800. The amount includes the $500 petty cash and the amount at the school sites cash drawers which totals $366.50. The actual total is equal to $866.50. Petty cash and cash drawers should be kept at the financial statement amount indicated of $800. Additionally, the petty cash should be counted and replenished to its imprest amount of $500 on a regular basis, at minimum on a quarterly basis and should be reconciled at year end.

Carnelian and Victoria Groves Elementary ASB

Pre-numbered receipts are not written for all cash collections. Furthermore, the bookkeeper is a signer on the account. Pre-numbered cash receipts should be issued for all cash collections. Without recording the date the cash was actually received, it is difficult to determine if cash was deposited intact and timely. Bookkeepers should not be signers on the account because they are involved with so many other steps in the process that this would prevent a proper segregation of duties for internal controls.

Vineyard Junior High ASB

Cash deposits are not timely, up to 25 days delayed. Furthermore, receipts are written out of sequence. Deposits should be made timely, at least weekly. Receipts should be issued in sequential order to verify that all collections were recorded and deposited intact and timely.

Member:

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

We will review the status of this recommendation during our next audit engagement. We have discussed this comment and suggestion with various District personnel, and we will be pleased to discuss this in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This report is intended solely for the information and use of the management, Board of Education, San Bernardino County Office of Education, others within the District, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jeanette L Garcia + Associates

San Bernardino, California
December 9, 2019

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## APPENDIX C

## GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF RANCHO CUCAMONGA AND THE COUNTY OF SAN BERNARDINO

The following information concerning the City of Rancho Cucamonga (the "City") and County of San Bernardino (the "County") is presented for information purposes only. The 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. The District comprises only a portion of the City and 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 City or the County.

### The City

The City comprises 40.2 square miles in the Inland Empire at the foothills of the San Gabriel mountains directly east of the City of Los Angeles. The City was formed in 1977 through the incorporation of the communities of Alto Loma, Cucamonga and Etiwanda. While most of the City is residential, the City also houses numerous manufacturing distribution facilities which are served by nearby freeways and Ontario International Airport. Over 98% of the assessed valuation of the District is derived from property located within the City.

The City is a general law city operating under a "council-manager" form of government with a five-member city council. The City Manager is appointed by the City Council to run the day to day operations of the City.

### The County

The County is located in the southern portion of the State, and is the largest county by land area in the United States. The County is approximately 20,105 square miles, and stretches from the greater Los Angeles metropolitan area on its western boundary to the Nevada border and Colorado River on its eastern boundary. It is comprised of urban areas, deserts, lakes and mountains, and its access to major highway systems and railroads, international and cargo airports, and proximity to the Los Angeles and Long Beach seaports make it a center of manufacturing and distribution. The City of San Bernardino is the County seat and is the second largest of the County's twenty-four incorporated cities.

The County includes numerous wilderness areas, including national parks and protected areas, and its mountains include the communities of Crestline, Lake Arrowhead, Running Springs, Big Bear City, Forest Falls, and Big Bear Lake.

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## Population

The following table shows historical population statistics for the cities in the County, including the City, as well as the County.

**CITIES OF THE COUNTY**
**AND THE COUNTY OF SAN BERNARDINO**
**Calendar Years 2015 through 2019**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Adelanto | 33,135 | 33,497 | 35,295 | 35,293 | 35,136 |
| Apple Valley | 73,811 | 74,656 | 73,349 | 73,984 | 73,464 |
| Barstow | 24,193 | 24,360 | 24,310 | 24,411 | 24,150 |
| Big Bear Lake | 4,873 | 4,905 | 5,404 | 5,512 | 5,461 |
| Chino | 85,377 | 85,934 | 85,983 | 86,757 | 89,829 |
| Chino Hills | 78,022 | 78,866 | 79,498 | 83,159 | 84,364 |
| Colton | 53,000 | 53,351 | 53,482 | 53,724 | 54,391 |
| Fontana | 206,996 | 209,895 | 210,071 | 212,000 | 212,078 |
| Grand Terrace | 12,236 | 12,315 | 12,492 | 12,524 | 12,654 |
| Hesperia | 92,394 | 93,226 | 93,590 | 94,829 | 96,362 |
| Highland | 53,340 | 53,645 | 54,167 | 54,761 | 55,778 |
| Loma Linda | 24,481 | 24,649 | 23,889 | 23,946 | 24,335 |
| Montclair | 38,332 | 38,686 | 39,012 | 39,326 | 39,563 |
| Needles | 5,004 | 5,035 | 5,183 | 5,177 | 5,085 |
| Ontario | 168,177 | 169,869 | 175,157 | 177,589 | 178,268 |
| Rancho Cucamonga | 173,202 | 175,251 | 175,282 | 176,671 | 179,412 |
| Redlands | 68,040 | 68,368 | 70,851 | 71,196 | 71,839 |
| Rialto | 106,425 | 107,330 | 106,455 | 107,041 | 107,271 |
| San Bernardino | 213,861 | 215,491 | 220,083 | 221,130 | 219,233 |
| Twentynine Palms | 26,165 | 26,138 | 26,491 | 27,046 | 28,958 |
| Upland | 75,265 | 75,774 | 76,937 | 77,017 | 78,481 |
| Victorville | 122,868 | 123,510 | 123,944 | 123,701 | 126,543 |
| Yucaipa | 53,109 | 53,779 | 54,317 | 54,651 | 54,844 |
| Yucca Valley | 21,144 | 21,281 | 21,752 | 21,834 | 22,050 |
| Balance of County | 307,638 | 309,759 | 308,596 | 311,659 | 312,654 |
| County Total | 2,121,088 | 2,139,570 | 2,155,590 | 2,174,938 | 2,192,203 |

Based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State.
*Source: California State Department of Finance*.

**Employment**

The County, State and United States civilian labor force figures are shown in the following table for the years 2015 through 2019, the most recent annual information available. The County figures are County-wide and may not necessarily reflect employment trends in the District.

**SAN BERNARDINO COUNTY, CALIFORNIA, AND UNITED STATES**
**Labor Force, Employment, and Unemployment[(1)]**

| Year and Area | Labor Force | Employment | Unemployment | Unemployment Rate[(2)] |
|---|---|---|---|---|
| 2015 | | | | |
| San Bernardino County | 926,600 | 866,800 | 59,800 | 6.5% |
| California | 18,981,800 | 17,798,600 | 1,183,200 | 6.2 |
| United States | 157,130,000 | 148,834,000 | 8,296,000 | 5.3 |
| 2016 | | | | |
| San Bernardino County | 932,300 | 878,400 | 53,900 | 5.8% |
| California | 19,164,600 | 18,165,400 | 999,200 | 5.2 |
| United States | 159,779,000 | 152,276,000 | 7,503,000 | 4.7 |
| 2017 | | | | |
| San Bernardino County | 950,700 | 904,200 | 46,600 | 4.9% |
| California | 19,386,300 | 18,547,600 | 838,700 | 4.3 |
| United States | 160,636,000 | 154,065,000 | 6,572,000 | 4.1 |
| 2018 | | | | |
| San Bernardino County | 961,000 | 922,000 | 38,800 | 4.0% |
| California | 19,507,600 | 18,705,000 | 802,600 | 4.1 |
| United States | 163,240,000 | 156,945,000 | 6,294,000 | 3.9 |
| 2019 | | | | |
| San Bernardino County | 966,900 | 929,800 | 37,100 | 3.8% |
| California | 19,492,200 | 18,730,400 | 761,800 | 3.9 |
| United States | 164,556,000 | 158,803,000 | 5,753,000 | 3.5 |

(1) Data reflects employment status of individuals by place of residence.
(2) Unemployment rate is based on unrounded data.
*Source*: *California State Employment Development Department and U.S. Department of Labor*.

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**Industry**

Trade, transportation and utilities are the largest employer in the County followed by government and educational and health services. The table below shows the estimated employment by industry group for 2014 through 2018.

**COUNTY OF SAN BERNARDINO**
**EMPLOYMENT BY INDUSTRY**
**ANNUAL AVERAGES**
**2014 through 2018 by Class of Work**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Agriculture total | 2,600 | 2,000 | 1,900 | 2,200 | 2,000 |
| Mining, logging and construction | 31,100 | 33,500 | 34,400 | 35,800 | 38,400 |
| Manufacturing | 51,200 | 54,300 | 56,300 | 56,300 | 56,900 |
| Trade, transportation and utilities | 178,500 | 186,500 | 193,500 | 206,600 | 214,800 |
| Wholesale trade | 35,900 | 38,100 | 39,100 | 38,700 | 40,000 |
| Retail | 83,900 | 84,900 | 87,400 | 88,200 | 88,100 |
| Information | 5,000 | 4,900 | 5,200 | 5,200 | 4,900 |
| Finance | 21,800 | 22,400 | 23,800 | 22,400 | 21,600 |
| Professional and business services | 78,400 | 82,300 | 80,700 | 80,300 | 80,100 |
| Educational and health services | 105,300 | 109,600 | 114,100 | 119,700 | 125,000 |
| Leisure and hospitality | 64,300 | 68,200 | 71,500 | 75,200 | 76,500 |
| Accommodation and Food Service | 57,400 | 60,500 | 63,600 | 67,100 | 68,900 |
| Other Services | 21,500 | 22,400 | 22,800 | 22,800 | 23,000 |
| Government | 116,100 | 119,500 | 122,900 | 124,600 | 127,100 |
| Non Agriculture Total | 673,100 | 703,700 | 725,200 | 748,800 | 768,200 |

*Source: California State Employment Development Department*.

[Remainder of page intentionally left blank]

**Major Employers Within the City and the County**

The City and the County are hosts to a diverse mix of major employers representing industries ranging from education and health services to distribution and insurance. The following tables list the City's and the County's major employers.

**CITY OF RANCHO CUCAMONGA**
**2019 PRINCIPAL EMPLOYERS**

| Employer | Number of Employees |
|---|---|
| Etiwanda School District | 2,387 |
| Chaffey Community College | 2,120 |
| Inland Empire Health Plan | 2,078 |
| Mission Foods | 950 |
| Alta Loma School District | 940 |
| City of Ranch Cucamonga | 761 |
| Amphastar Pharmaceutical | 657 |
| Mercury Insurance Company | 640 |
| Macy's | 625 |
| Central School District | 608 |
| Bass Pro Shop | 500 |
| Coca Cola Bottling Co. | 400 |
| ADECCO | 360 |

*Source: City of Rancho Cucamonga Comprehensive Annual Financial Report for fiscal year ended June 30, 2019.*

**COUNTY OF SAN BERNARDINO**
**2019 MAJOR EMPLOYERS**
**(listed in alphabetical order by employer name)**

| Employer | Location | Industry |
|---|---|---|
| Amazon Fulfillment Ctr | Redlands | Mail Order Fulfillment Service |
| Amazon Fulfillment Ctr | San Bernardino | Mail Order Fulfillment Service |
| Arrowhead Regional Medical Ctr | Colton | Hospitals |
| Burlington | San Bernardino | Department Stores |
| California State Univ Sn | San Bernardino | Schools-Universities & Colleges Academic |
| Community Hospital – Sn Brnrdn | San Bernardino | Hospitals |
| Environmental Systems Research | Redlands | Geographics Information Systems |
| Fedex Ground | Bloomington | Delivery Service |
| Iehp | Rancho Cucamonga | Health Services |
| Kaiser Permanente Fontana Med | Fontana | Hospitals |
| Loma Linda University Health Board | Loma Linda | Univ/Clg-Governing Body/Regent/Trustee |
| Loma Linda University Med Ctr | Loma Linda | Hospitals |
| Mountain High Ski Resort | Wrightwood | Skiing Centers & Resorts |
| National Orange Show Events | San Bernardino | Halls & Auditoriums |
| Ontario International Arport | Ontario | Airports |
| Ontario Montclair School Dist | Ontario | School Districts |
| Patton State Hospital | Patton | Hospitals |
| Redlands Community Hospital | Redlands | Hospitals |
| San Antonio Regional Hospital | Upland | Hospitals |
| San Bernardino County Sch Supt | San Bernardino | Schools & Educational Services NEC |
| San Bernardino County Sheriff | San Bernardino | County Government-General Offices |
| St Bernardine Medical Ctr | San Bernardino | Hospitals |
| St Mary's Medical Ctr | Apple Valley | Hospitals |
| Transportation Department | San Bernardino | Government Offices-State |
| YRC Freight | Bloomington | Trucking-Motor Freight |

*Source: America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition. Employer information is provided by Infogroup, Omaha, NE, 800/555-5211. © 2020. All Rights Reserved. California Employment Development Department.*

**Commercial Activity**

The table below shows the number of permits and taxable transactions in the County between 2014 and 2018, the most recent data available.

**COUNTY OF SAN BERNARDINO**
**Valuation of Taxable Transactions**
**Fiscal Years 2014 through 2018**

| Year | Retail Permits | Taxable Transactions-Retail* | Total Permits | Taxable Transactions-Total* |
|---|---|---|---|---|
| 2014 | 30,327 | $19,412,110 | 48,349 | $33,055,967 |
| 2015 | 38,282 | 23,142,828 | 56,961 | 35,338,556 |
| 2016 | 38,366 | 24,242,145 | 57,542 | 36,981,694 |
| 2017 | 39,067 | 25,603,171 | 58,956 | 38,399,373 |
| 2018 | 39,837 | 26,905,784 | 61,838 | 40,554,024 |

* In thousands.
*Source*: *California Board of Equalization Taxable Sales in California*.

**Transportation**

The County is accessible by car via Interstates 10, 15, 40, 210, and 215, U.S. Routes 95, 395, and the Historic U.S. Route 66, and various State Routes, including State Routes 18, 58, 60, 71, 138, and 247. Commercial passenger flights are available at the Los Angeles and Ontario International Airports. The County owns six general aviation airports, and also houses a major cargo airport and other general aviation airports. Rail access is provided by Amtrak and Metrolink, and bus access providers include Foothill Transit, OCTA, Greyhound, Omnitrans, Barstow Area Transit, Morongo Basin Transit Authority, Mountain Area Regional Transit Authority, Needles Area Transit, Victor Valley Transit Authority, and Riverside Transit Agency.

**Education**

The County's school system includes various community colleges and universities, including Chaffey College, California State University, San Bernardino, University of La Verne, and the University of Redlands. In addition, over 30 public school districts provide kindergarten through twelfth grade educational services throughout the County.

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## APPENDIX D

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Alta Loma School District (the "District") in connection with the execution and delivery of $_____ aggregate principal amount of the District's General Obligation Bonds, 2016 Election, 2020 Series C (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on March 4, 2020 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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 Stifel, Nicolaus & Company, Inc. (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 Dissemination Agent shall be Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices.

"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.

"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 ____, 2020 ("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, 2020, which would be due on April 1, 2021, 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 (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;

(ii) Assessed valuations, as shown on the most recent equalized assessment roll;

(iii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll; and

(iv) Secured tax charges and delinquencies, 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 a Financial Obligation of the obligated person 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 security or other material events affecting the tax status of the security;

(ii) Modifications of rights to security holders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the securities;

(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; and

(viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders;

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 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. Termination of Reporting Obligation. 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. Dissemination Agent. 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 Listed 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 Listed 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 Listed 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: _____, 2020

ALTA LOMA SCHOOL DISTRICT

By:_____
Superintendent

Acceptance of duties as Dissemination Agent:

By:_____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Alta Loma School District

Name of Issue: $____ General Obligation Bonds, 2016 Election, 2020 Series C

Date of Issuance: _____, 2020

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 _____, 2020. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By:_____

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**APPENDIX E**

**SAN BERNARDINO COUNTY INVESTMENT POLICY STATEMENT**

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# OFFICE OF THE
# AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
# COUNTY OF SAN BERNARDINO

## TREASURER'S STATEMENT OF INVESTMENT POLICY

As approved by the Board of Supervisors on June 25, 2019

**SCOPE:**

The County of San Bernardino's Investment Policy has been prepared in accordance with California State law. This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasury Pool and made on behalf of the County and member agencies of the Pool, with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are made with the understanding that the Treasurer holds a public trust with the citizens of the County, which shall not be compromised.

**FIDUCIARY RESPONSIBILITY:**

The California Government Code, Section 27000.3, declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard.

This standard requires that "*When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law*." This standard shall be applied in the context of managing the overall portfolio.

**PORTFOLIO OBJECTIVES:**
It is the policy of the Treasurer to invest public funds in a manner that will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. Accordingly, the County investment pool will be guided by the following principles, in order of importance:

- The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
- The secondary objective is to maintain sufficient liquidity to insure that funds are available to meet daily cash flow requirements.
- The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

**AUTHORITY:**
The Treasurer's authority for making investments is delegated by the Board of Supervisors in accordance with the California Government Code. Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq. and 53630 et seq. of the California Government Code.

**AUTHORIZED INVESTMENTS:**
Investments shall be restricted to those authorized in the California Government Code and as further restricted by this policy statement, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I, which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stated for any type of security as detailed above, the maximum allowable limit is determined by the portfolio size at the market close of the regular business day prior to the security purchase date. Maximum limits are applicable at the time of security purchase only unless otherwise noted or defined in Schedule I.

In conjunction with these restrictions, County Treasurer staff shall diversify its investments by security type, issuer and maturity as specified in Schedule I. The purpose of this diversification is to reduce portfolio risk by avoiding an overconcentration in any particular maturity sector, asset class or specific issuer. As Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

**PROHIBITED INVESTMENTS:**
No investment shall be made that is prohibited by law. Thus, no investments are authorized in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor in any other investment that could result in zero interest if held to maturity. Additionally, the following types of investments are also prohibited:

- Mutual bond funds that do not maintain a constant Net Asset Value (NAV).
- Illiquid investments which lack a readily available market for trading. These investments are defined to be: private placement notes or bonds, funding agreements, master notes, and loan participations.

**STAFF AUTHORIZED TO MAKE INVESTMENTS:**
Only the Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) may make investments and jointly order (with the settlement staff) the receipt and delivery of investment securities among custodial security clearance accounts. Authority granted to contracted consultant(s) shall be defined in their contract(s).

**AUTHORIZED BROKER/DEALERS:**
The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Security transactions are limited solely to those banks, direct issuers and dealers included on this list. All financial institutions must be approved by the County Treasurer before they receive County funds or are able to conduct business with the County Treasurer.

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year. Furthermore, in compliance with Section 27133(c) & (d) of the California Government Code, no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, by the Fair Political Practices Commission, or by County ordinance.

**DUE DILIGENCE:**
County Treasurer staff shall conduct a thorough review and perform due diligence of all brokers, dealers, issuers of securities, and mutual funds prior to investing or conducting transactions with these parties and on a continuing basis. This due diligence shall include a periodic review of recent news, financial statements and SEC filings related to each entity.

**INTERNAL CONTROLS:**
The County Treasurer has established a system of internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

- Investment transactions in excess of overnight maturity conducted by the County Treasurer's office shall be documented and subsequently reviewed by the Treasurer.
- All investment transactions shall be entered into the Treasurer's accounting system.
- County investments shall be transacted, settled, accounted for, and audited by different people.

**SECURITY CUSTODY & DELIVERIES:**
All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. All security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the independent certified public accounting firm approved by the County Board of Supervisors. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

All security transactions are to be conducted on a "delivery-versus-payment basis." Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

**REPURCHASE AGREEMENTS:**
Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a Securities Industry & Financial Markets Association (formerly known as The Bond Market Association) Master Repurchase Agreement and, for tri-party repurchase agreements, a Tri-Party Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must be marked to market by staff or by an independent third-party or custodial bank acting under contract to the County. Collateral for term repurchase agreements shall be marked to market no less than once weekly. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et seq. of the California Government Code.

**COMPETITIVE PRICING:**
Investment transactions are to be made at current market prices. When possible, competitive prices should be obtained through multiple bids or offers and documented on the trade ticket or other written forms. When possible, bids and offers for any investment security should be taken from a minimum of three security broker/dealers or banks and awards should be made to the best offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g. commercial paper and certificates of deposit), market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other issuers.

**LIQUIDITY:**
The duration-to-maturity of the portfolio shall not exceed 2.00. To provide sufficient liquidity to meet daily expenditure requirements for the following 12 months, the portfolio shall maintain at least 40% of its par value in securities having a maturity of 12 months or less.

**PERFORMANCE EVALUATION:**
Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, evaluation, and a total return measurement using the Bank of America Merrill Lynch 6-month Treasury Bill Index "G0O2" as a benchmark.

**MITIGATING MARKET & CREDIT RISKS:**
Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the credit ratings issued by Standard & Poor's, Moody's and/or Fitch rating services on the credit worthiness of each issuer of securities, by limiting the duration of investments to the time frames noted in Schedule I, and by maintaining the diversification and liquidity standards expressed within this policy.

In the event of a downgrade of a security held in the portfolio, the Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

**TRADING & EARLY SALE OF SECURITIES:**
Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the total return of the portfolio, securities may be sold prior to maturity, either at a profit or loss, when market conditions or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost as per the County's books of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date to the date of sale. However, the sale of a security at a loss can only be made with the approval of the County Treasurer or his designee.

**PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:**
Purchases of securities for forward settlement are only authorized as long as the intent of the purchase is to hold them in the portfolio and not for speculative trading, sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date, there is the ability at purchase to hold them in the portfolio to maturity without violating any of the diversification/maturity limits of this policy, and the forward settlement period does not exceed 21 days.

**PORTFOLIO REPORTS/AUDITING:**
On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, Chief Executive Officer, Chief Deputy Auditor, Superintendent of Schools and Treasury Oversight Committee a report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, and par value and stating the book vs. current market value together with all other portfolio information required by law.
- Compliance of investments to the existing County Investment Policy.
- A statement confirming the ability of the Pool to meet anticipated cash requirements for the next six months.

**TREASURY OVERSIGHT COMMITTEE:**
In accordance with California Government Code Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

- Review the Treasurer's annual Investment Policy Statement and any subsequent changes thereto prior to submission to the Board of Supervisors for review and adoption.
- Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy.
- Cause an annual audit to be conducted on the Treasurer's pooled investment portfolio.

The Treasury Oversight Committee shall receive a copy of every Audit Report as prepared by the independent certified public accounting firm approved by the County Board of Supervisors. Such reports are made in accordance with the California Government Code Sections 26920 and 26922 and County Board of Supervisor's resolution dated July 6, 1971, and which includes an evaluation of investments for compliance with California Government Code Section 53601 and 53635.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury. Members of the Oversight Committee are prohibited from accepting gifts or gratuities from investment advisors, brokers, dealers, bankers or other persons with whom the county treasury conducts business.

**QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:**
All moneys deposited in the pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. It is the intent of this policy to safeguard and maintain the principal value of funds invested and to minimize "paper losses" caused by changes in market value. Nonetheless, actual portfolio income and/or losses, and net of any reserves, will be distributed quarterly among those participants sharing in pooled investment income in compliance with the California Government Code. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

**QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:**
Prior to the quarterly apportionment of pooled fund investment earnings, the County Treasurer is permitted, pursuant to the California Government Code, to deduct from investment earnings the actual cost of the investments, auditing, depositing, handling and distribution of such income. Accordingly, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, wire transfers, custodial safekeeping charges, building remodeling costs and other capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer/Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

**WITHDRAWAL OF FUNDS:**
Any depositor or public official having funds on deposit, either voluntarily or involuntarily, with this pool, that seeks to withdraw these funds for the purpose of investing or depositing them outside the Treasury Pool, shall first submit a request for withdrawal to the Treasurer for approval prior to withdrawing funds.

The request should be submitted and processed as follows:

- In writing, from the governing authority of the funds being withdrawn. The request should state the amount, date of transfer, where investment and/or deposit is to be made, and the reason for the request.
- The request must be received by the County Treasurer no less than thirty (30) days prior to the requested date of withdrawal.
- Prior to approving a withdrawal, the County Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury pool, in accordance with California Government Code Section 27136(b).

**CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO THE TREASURY POOL:**
The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the Treasury Pool.

**ETHICS & CONFLICTS OF INTEREST:**
Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, and Investment Analyst(s) are required to file annually the applicable financial disclosure statements as mandated by the Fair Political Practices Commission (FPPC) and/or by County ordinance. In addition, the Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, and Investment Analyst(s), are required to sign and abide by an Ethics Policy instituted by the Auditor-Controller/Treasurer/Tax Collector.

**POLICY ADOPTION & AMENDMENTS:**
This policy statement will become effective immediately following adoption by the Board of Supervisors. It will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until the policy statement is subsequently amended in writing by the County Auditor-Controller/Treasurer/Tax Collector, reviewed by the Treasury Oversight Committee and approved by the Board of Supervisors.

## OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR (SCHEDULE I)

| AUTHORIZED INVESTMENTS | DIVERSIFICATION | PURCHASE RESTRICTIONS | MATURITY (not to exceed) | MINIMUM ALLOWABLE CREDIT QUALITY (S&P/MOODY'S/FITCH) |
|---|---|---|---|---|
| United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the U. S. are pledged for the payment of principal and interest | 100% | None | 5 years and 6 months | Not Applicable |
| Notes, participations or obligations issued or fully guaranteed as to principal and interest by an agency of the Federal Government or U.S. government-sponsored enterprises (excluding mortgage-backed securities) | 100% | Senior debt only | 5 years and 6 months | Not Applicable |
| Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, the International Finance Corporation, and/or the Inter-American Development Bank | 30% | US Dollar denominated Senior Unsecured debt only | 5 years | AA by at least one rating agency* |
| Bonds, notes, warrants or certificates of indebtedness issued by agencies of and/or within the County of San Bernardino | 10% | With approval of Treasurer | 5 years | AAA by at least 2 of the 3 rating agencies* |
| Commercial paper of U.S. Corps with total assets in excess of $500 MM | 40% total for all Commercial Paper | Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit | 270 Days | Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)* |
| Asset-backed Commercial Paper | 40% total for all Commercial Paper | Issuer must have program-wide credit enhancements | 270 Days | Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)* |
| Negotiable CDs issued by approved banks | 30% | Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit | 3 years from settlement date | Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 short-term rating or long-term letter rating of A- and/or A3, or higher (if rated)* |
| Collateralized Certificates of Deposit | 10% | As stipulated in Article 2, Section 53630 et al. of the Calif. Govt. Code | 1 year from settlement date | See Section 53630 et al. of the California Government Code |

| | | | | |
|---|---|---|---|---|
| Repurchase Agreements with 102% collateral | 40% | Repurchase Agreements (contracts) must be on file | 180 days | Restricted to Primary Dealers on Eligible Broker/Dealer List |
| Reverse Repurchase Agreements | 10% | See Schedule II | 92 days (See Schedule II) | Restricted to Primary Dealers on Eligible Broker/Dealer List |
| Medium Term Notes of U.S. Corporations & Depository Institutions and/or Corporate or Bank notes | 20% (shall not exceed 10% over 13 months) | Max $200MM par value of any one issuer, subject to 5% overall corporate issuer limit. | 3 years and 2 months (38 months) from settlement date | Rated long-term A- and/or A3, or higher by at least 2 of the 3 rating agencies* |
| Asset-Backed Securities | 10% | Max $200MM par value of any one issuer, subject to 5% overall special purpose entity** limit | 5 years | As per Section 53601(o) of the California Government Code |
| FDIC Insured Deposit Accounts Authorized under California Government Code Sections 53601.8 & 53635.8 | 5% | Max $100MM per selected depository institution. Max $100MM per placement service | Term Deposits not permitted | Not Applicable |
| JPA Investment Pools authorized under California Government Code Section 53601(p) | 5% | Max $300MM per JPA Pool Maintain Constant Net Asset Value (NAV) | Immediate Liquidity | AAA by at least one rating agency* |
| Money Market mutual funds that meet requirements of California Government Code | 15% | Registered with SEC. No NAV adjustments. No loads. Max 10% per fund. | Immediate Liquidity | AAA by at least 2 of the 3 rating agencies* |

* Standard & Poor's Ratings Services, Moody's Investors Service Inc., and Fitch Ratings Ltd. "New Issue" securities may be purchased and settled based on anticipated ratings.

** See Glossary Terms

## SCHEDULE II

## POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements and Securities Lending Agreements:

1. The total of Reverse Repurchase Agreement and Securities Lending Agreement transactions shall not exceed 10 percent of the base value of the portfolio.

2. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.

3. All loaned securities subject to Reverse Repurchase Agreements or Securities Lending Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.

4. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.

5. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreement and Securities Lending Agreement transactions.

6. Reverse Repurchase Agreements and Securities Lending Agreements shall only be placed on portfolio securities that are intended to be held to maturity, have been fully paid for, and have been held in the portfolio for a minimum of 30 days.

7. Reverse Repurchase Agreements and Securities Lending Agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.

8. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement or Securities Lending Agreement with any authorized primary dealer.

9. Reverse Repurchase Agreement and Securities Lending Agreement transactions shall have the approval of the County Treasurer.

# OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
# COUNTY OF SAN BERNARDINO
# STATEMENT OF INVESTMENT POLICY

## SCHEDULE III

## POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The bank must provide us with an executed copy of the authorization for deposit of moneys.

2. The money-market yield on the certificate of deposit must be competitive with negotiable CD's offered by banks on the county's pre-approved list in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.

3. Collateral Requirements: the County will only accept U.S. Treasury and/or Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of San Bernardino County. The County must have perfected interest in the collateral. The maximum maturity of securities is 5 years, the collateral must be priced at 110% of the face value of the CD on a daily basis, and the minimum face value per pledged security is $5 million. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.

4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.

5. The County Treasurer must receive a certificate of deposit, which specifically expresses the terms governing the transaction, such as: deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.).

6. Notwithstanding the above, the certificate of deposit must meet the requirements of Fitch Ratings Ltd. for the County to maintain its AAA pool rating. These requirements typically include an A-1/P-1 and/or F1 short-term rating. The County may rely on credit ratings of Standard & Poor's, Moody's and Fitch to determine the creditworthiness of an institution and/or may supplement this research with its own financial analysis.

7. Deposits will only be made with banks and savings and loans having branch office locations within San Bernardino County.

# OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
# COUNTY OF SAN BERNARDINO
# STATEMENT OF INVESTMENT POLICY

## SCHEDULE IV

## POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for the County of San Bernardino's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.

2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.

3. The firm must acknowledge receipt of the County Treasurer's written Investment Policy guidelines.

4. It is important that the firm provide related services that will enhance the account relationship, which could include:

   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on commercial paper, bankers' acceptances and other securities it offers for sale.
   (c) Be willing to purchase securities from our portfolio.
   (d) Be capable of providing market analysis, economic projections, and newsletters.

5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.

6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.

7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or, for repurchase agreements, on a tri-party basis.

8. The broker/dealer must have been in operation for more than five (5) years.

9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer. Broker/dealers with less than $10 million of net capital may be approved for trading that is limited in maturity or amount or may not be approved for extended settlement trades.

10. Repurchase agreement counterparties will be limited to primary government securities dealers who report to the Federal Reserve Bank of New York and meet the following criteria:

    (a) Counterparties must have a minimum of one short-term credit rating of at least A-1, P-1, and/or F1.
    (b) Counterparties and/or their parent must have a minimum of $25 billion in assets and $350 million in capital.

## GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

AMORTIZED COST – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called “Book Value”).

ASSET-BACKED SECURITY (ABS) – A financial security backed by a loan, lease, or receivables against assets other than real estate and mortgage-backed securities.

BASIS POINT – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

BENCHMARK – An index or security used to compare the performance of a portfolio.

BOND – A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

BULLET – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

CALLABLE BOND – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company’s creditworthiness.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue, and the final character is a check digit.

DERIVATIVES – Securities that derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

DISCOUNT INSTRUMENTS – Securities that are sold at a discount to face value.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve Federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE’S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

Federal National Mortgage Association (FNMA)
Federal Home Loan Bank (FHLB)
Federal Farm Credit Bank (FFCB)
Federal Home Loan Mortgage Corporation (FHLMC)

HIGHLY LIQUID – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INTEREST RATE RISK – The risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value. Also called “Market Risk”.

INVERSE FLOATERS – Floating rate notes that pay interest in inverse relationship to an underlying index.

LIQUID – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THROUGH SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

POOL – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

PRIMARY DEALER – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

PRIVATE PLACEMENTS – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES LENDING – A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SPECIAL PURPOSE ENTITY (or TRUST) - A legally separated pass-through entity, trust or equivalent that makes its obligation secure and independent from the parent entity. This term is used to define purchase of Asset-Backed Securities at either the depositor or master trust level.

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WEIGHTED AVERAGE MATURITY – The remaining average maturity of all securities held in a portfolio. See Dollar Weighted Average Maturity.

WHEN-ISSUED SECURITIES – A security traded before it receives final trading authorization with the investor receiving the certificate/security only after the final approval is granted.

YIELD – The gain, expressed as a percentage that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

## APPENDIX 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, initially located in St. Paul, Minnesota, 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.