NEW ISSUE—BOOK ENTRY ONLY **RATINGS: Moody's: "Aa2"**
S&P: "AA-"
(See "RATINGS" herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in "TAX MATTERS – Tax-Exempt Bonds" herein, interest on the Tax-Exempt Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income for the owners thereof for federal income tax purposes and is not included in computing the federal alternative minimum taxable income of the owners thereof. Interest on the Taxable Bonds will be included in gross income for federal income purposes. See "TAX MATTERS – Taxable Bonds" herein. In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

$279,760,000
CHINO VALLEY UNIFIED SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)

$258,000,000
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2020B
(Federally Tax-Exempt)

$21,760,000
2020 GENERAL OBLIGATION REFUNDING BONDS
(Federally Taxable)

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

The Chino Valley Unified School District (the "District") is issuing its (i) General Obligation Bonds, Election of 2016, Series 2020B (Federally Tax-Exempt) (the "2020B Bonds," the "New Money Bonds" or the "Tax-Exempt Bonds") and (ii) 2020 General Obligation Refunding Bonds (Federally Taxable) (the "Refunding Bonds" or the "Taxable Bonds"). The New Money Bonds and the Refunding Bonds are collectively referred to as the "Bonds."

The 2020B Bonds were authorized at a bond election conducted within the District on November 8, 2016 (the "Authorization"), as more fully described herein under the caption "THE BONDS – Authority for Issuance." The proceeds of the 2020B Bonds are being applied to (i) finance the construction, acquisition, furnishing and equipping of District facilities, (ii) pay capitalized interest for the 2020B Bonds and (iii) pay certain costs of issuance associated therewith. See the caption "PLAN OF FINANCE" herein. The proceeds of the Refunding Bonds are being issued to (i) effect the refunding of the Refunded Bonds (defined herein) issued by the District and (ii) pay certain costs of issuance associated therewith. See the caption "PLAN OF FINANCE" and "PLAN OF REFUNDING" herein.

The Bonds are dated the date of their delivery. The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside cover herein. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020.

The Bonds will be issued in denominations of $5,000 principal amount, or integral multiples thereof, and are payable as to principal amount or redemption price at the office of The Bank of New York Mellon Trust Company, N.A., as agent of the Treasurer and Tax Collector of the County of San Bernardino, California, as Paying Agent (the "Paying Agent").

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS – Book-Entry-Only System."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "–Mandatory Sinking Fund Redemption" herein.

The Bonds are general obligation bonds of the District, secured and payable solely from *ad valorem* property taxes collected against taxable properties within the boundaries of the District. The Bonds are general obligations of the District only and are not obligations of the San Bernardino County (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property (except certain personal property, which is taxable at limited rates) 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.

MATURITY SCHEDULES

(On Inside Cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, Bond Counsel, and certain other conditions. Norton Rose Fulbright US LLP, Los Angeles is also acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is anticipated that the Bonds will be available through the facilities of DTC on or about April 29, 2020.

STIFEL

Dated: April 7, 2020

MATURITY SCHEDULE

$258,000,000
CHINO VALLEY UNIFIED SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS,
ELECTION OF 2016, SERIES 2020B
(Federally Tax-Exempt)

$19,230,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[1] (169583)
2021	$1,530,000	5.000%	1.620%	GQ8
2033	295,000	5.000	2.490[2]	GR6
2034	570,000	5.000	2.530[2]	GS4
2035	1,065,000	5.000	2.580[2]	GT2
2036	1,610,000	5.000	2.630[2]	GU9
2037	2,500,000	5.000	2.680[2]	GV7
2038	3,140,000	5.000	2.720[2]	GW5
2039	3,875,000	5.000	2.760[2]	GX3
2040	4,645,000	5.000	2.800[2]	GY1

$46,060,000 4.000% Term Bond Maturing August 1, 2045, Priced to Yield 3.240%[2] CUSIP No.[1] 169583GZ8
$86,950,000 3.375% Term Bond Maturing August 1, 2050, Priced to Yield 3.540% CUSIP No. [1] 169583HA2
$105,760,000 5.000% Term Bond Maturing August 1, 2055, Priced to Yield 3.140%[2] CUSIP No. [1] 169583HB0

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[1] CUSIP® is a registered trademark of the 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 Services. Neither the District nor the Underwriter take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.
[2] Yield to call at par on August 1, 2030.

MATURITY SCHEDULE
$21,760,000
CHINO VALLEY UNIFIED SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
2020 GENERAL OBLIGATION REFUNDING BONDS
(Federally Taxable)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[1] (169583)
2020	$ 390,000	1.600%	1.600%	HC8
2021	555,000	1.650	1.650	HD6
2022	2,935,000	1.700	1.700	HE4
2023	2,955,000	1.750	1.750	HF1
2024	5,840,000	1.800	1.800	HG9
2025	4,695,000	1.850	1.850	HH7
2026	4,390,000	1.950	1.950	HJ3

[1] CUSIP® is a registered trademark of the 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 Services. Neither the District nor the Underwriter take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.

No dealer, broker, salesperson or other person has been authorized by the Chino Valley Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by 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 District maintains a website and certain social media accounts. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

The information set forth herein has been obtained from official sources which are believed to be reliable. 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 San Bernardino County, the San Bernardino County 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 POOL" herein.

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 respective responsibility 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 the completeness of such information.

The Preliminary Official Statement has been "deemed final" by the District for purpose of Rule 15c2-12 of the Securities and Exchange Commission.

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 A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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 (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
San Bernardino County, State of California

Board of Education

Joe Schaffer, President
Christina Gagnier, Vice President
Irene Hernandez-Blair, Clerk
Andrew Cruz, Member
James Na, Member

District Administrators

Norm Enfield, Ed.D., Superintendent
Sandra H. Chen, Associate Superintendent, Business Services
Gregory J. Stachura, Assistant Superintendent, Facilities, Planning & Operations
Elizabeth A. Pensick, Director, Fiscal Services

SPECIAL SERVICES

Underwriter

Stifel, Nicolaus & Company, Incorporated
Los Angeles, California

Bond Counsel and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Financial Advisor

Keygent LLC
El Segundo, California

Paying Agent and Escrow Agent

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

Verification Agent

Robert Thomas CPA, LLC
Minneapolis, Minnesota

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(continued)

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$279,760,000
CHINO VALLEY UNIFIED SCHOOL DISTRICT
(San Bernardino County, California)

$258,000,000
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2020B
(Federally Tax-Exempt)

$21,760,000
2020 GENERAL OBLIGATION REFUNDING BONDS
(Federally Taxable)

INTRODUCTION

General

The Chino Valley Unified School District (the "District") will issue $258,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2016, Series 2020B (the "2020B Bonds," the "New Money Bonds" or the "Tax-Exempt Bonds") and (ii) $21,760,000 aggregate principal amount of its 2020 General Obligation Refunding Bonds (Federally Taxable) (the "Refunding Bonds" or the "Taxable Bonds"). The 2020B Bonds and the Refunding Bonds are hereinafter collectively referred to as the "Bonds."

The 2020B Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53506) (the "New Money Act"), and other applicable laws and regulations of the State of California (the "State") and a resolution adopted by the Board of Education of the District (the "Board") on February 6, 2020 (the "New Money Resolution"). The 2020B Bonds were sold on April 3, 2020. The Refunding Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the of the California Government Code (commencing with Sections 53550 and 53580, respectively) (the "Refunding Act") and other applicable laws and regulations of the State, and pursuant to a resolution adopted by the Board on February 6, 2020 (the "Refunding Resolution" and, together with the New Money Resolution, the "Resolutions"). The Refunding Bonds were sold on April 7, 2020.

The proceeds of the 2020B Bonds will be applied to fund certain capital projects (the "Projects") of the District approved by the voters at an election conducted on November 8, 2016 (the "Election"), at which more than 55% of the qualified electors of the District voted to authorize the issuance of $750,000,000 of general obligation bonds (the "Authorization") of the District and to the payment of costs of issuance of the 2020B Bonds. In addition to the foregoing uses, a portion of the proceeds of the 2020B Bonds will be used to pay capitalized interest for the Bonds. See "PLAN OF FINANCE."

The proceeds of the Refunding Bonds will be applied to the refunding of all or a portion of the District's (i) General Obligation Refunding Bonds 2002 Election, 2011 Series A and (ii) General Obligation Refunding Bonds 2002 Election, 2012 Series A, and (iii) to the payment of costs of issuance of the Refunding Bonds. See "PLAN OF REFUNDING.

Changes Since the Preliminary Official Statement

The Section entitled, "Risks Related to COVID-19" has been updated to include information related to the congressional passage of a $2 trillion relief package, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). See "LEGAL AND OTHER MATTERS – Risks Related to COVID-19" herein. Additional information has been added related to possible effects of COVID-19. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Dedicated Unlimited *Ad Valorem* Property Tax Collection - *Factors Affecting Assessed Valuation,*" "FUNDING OF

SCHOOL DISTRICTS IN CALIFORNIA – State Budget Process - *2020-21 Governor's Proposed State Budget*," and "OTHER INFORMATION – State Pension Trusts."

The District

The District, a unified school district of the State of California (the "State"), was first established in 1878 and began operations as a unified school district on July 1, 1939. The District is located in the San Bernardino County (the "County") and provides public education within an approximately 88 square mile area, including the City of Chino, the City of Chino Hills, the southern portion of the City of Ontario and certain unincorporated areas of the County. The District currently operates 35 schools including 20 elementary (K-6), 2 Kindergarten – 8th grade, 5 junior highs, 5 high schools, and 3 alternative schools including a virtual program. The District's audited financial statements for the fiscal year ended June 30, 2019, are attached hereto as APPENDIX C. For more complete information concerning the District, see the information set forth in APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT" attached hereto.

The District's average daily attendance ("ADA") for all District programs for Fiscal Years ended June 30, 2018 and June 30, 2019 was 27,117 and 26,582, respectively. The District currently projects that the ADA for Fiscal Year ended June 30, 2020 will be 26,402. Assessed valuation of real property and improvements (full cash value) in the District increased from $27,772,817,643 in 2018-19 to $29,595,788,901 in 2019-20. The District has certain existing lease financing obligations as set forth herein under the caption "APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Certain Existing Obligations" and direct and overlapping bonded indebtedness as set forth under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct and Overlapping Debt."

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The 2020B Bonds were authorized pursuant to the Authorization approved at the Election. The 2020B Bonds are being issued by the District under the New Money Act and other applicable laws and regulations of the State, and pursuant to the New Money Resolution and the Authorization. The 2020B Bonds represent the second series of bonds issued under the Authorization.

The Refunding Bonds are being issued by the District under the Refunding Act and other applicable laws and regulations of the State, and pursuant to the Refunding Resolution. Pursuant to the Refunding Act, general obligation bonds issued for the purpose of refunding outstanding general obligation bonds previously authorized by the voters that do not increase the debt service obligation of taxpayers do not require additional voter approval, either for issuance of such refunding general obligation bonds or the levy of an ad valorem property tax sufficient to pay principal of and interest as due on the refunding general obligation bonds.

The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates), for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued in initial denominations of $5,000 or any integral multiple thereof. The Bonds will be issued as current interest bonds with principal payable at the maturity dates of the respective Bonds or their earlier redemption. Interest on each Bond shall accrue from its dated date. Interest on the Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each August 1 and February 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2020, to the registered owners (each, an "Owner") thereof as of the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a "Record Date"). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event, interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date, to the Owner thereof on the Record 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.

Principal on the Bonds shall be due and payable on August 1 in each of the years as set forth on the inside covers of this Official Statement.

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 ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest, or premium, if any, on the Bonds are payable by wire transfer of New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants ("DTC Participants") for subsequent disbursement to the Beneficial Owners. Payments of principal, and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See APPENDIX E – "BOOK ENTRY ONLY SYSTEM" herein.

Optional Redemption

2020B Bonds. The 2020B Bonds maturing on August 1, 2021 are not subject to optional redemption prior to maturity. The 2020B Bonds maturing on or after August 1, 2033, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 2030, at par, together with interest accrued thereon to the date of redemption, without premium.

Refunding Bonds. The Refunding Bonds are not subject to optional redemption prior to their respective stated maturity dates.

Mandatory Sinking Fund Redemption

The 2020B Bonds maturing on August 1, 2045 (the "2045 Term Bonds"), are subject to mandatory sinking fund redemption prior to their stated maturity from mandatory sinking fund payments on any August 1 on or after August 1, 2041, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
2041	$6,750,000
2042	7,940,000
2043	9,135,000
2044	10,425,000
2045*	11,810,000
Total	$46,060,000

*Maturity.

In the event that a portion of the 2045 Term Bond is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 principal amount, with respect to the portion of such 2045 Term Bond optionally redeemed.

The Bonds maturing on August 1, 2050 (the "2050 Term Bonds"), are subject to mandatory sinking fund redemption prior to their stated maturity from mandatory sinking fund payments on any August 1 on or after August 1, 2046, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
2046	$14,290,000
2047	15,220,000
2048	17,430,000
2049	19,100,000
2050*	20,910,000
Total	$86,950,000

*Maturity.

In the event that a portion of the 2050 Term Bond is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 principal amount, with respect to the portion of such 2050 Term Bond optionally redeemed.

The Bonds maturing on August 1, 2055 (the "2055 Term Bonds"), are subject to mandatory sinking fund redemption prior to their stated maturity from mandatory sinking fund payments on any August 1 on or after August 1, 2051, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (August 1)	**Mandatory Sinking Fund Payment**
2051	$17,520,000
2052	19,435,000
2053	20,735,000
2054	22,890,000
2055*	25,180,000
Total	$105,760,000

*Maturity.

In the event that a portion of the 2055 Term Bond is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 principal amount, with respect to the portion of such 2055 Term Bond optionally redeemed.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption in such manner as the District shall direct, or, in the absence of such direction, in inverse order of maturity and within a maturity, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

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

The Paying Agent shall take the following actions with respect to each such Redemption Notice: (i) at least 20 days but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of the Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the bond register; (ii) in the event the Bonds shall no longer be held in book-entry form, at least 35 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (1) first-class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories and the

Municipal Securities Rulemaking Board ("MSRB"). Such Redemption Notice shall be given to such other persons as may be required by the Continuing Disclosure Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at http://emma.msrb.org, or any other entity designated or authorized by the Commission.

The "Securities Depositories" shall mean DTC and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories as the District may designate in a certificate delivered to the Paying Agent.

A Redemption Notice may be rescinded by written notice given to the Paying Agent by the District and the Paying Agent shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given, but in no event later than the date set for redemption.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds

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

"Transfer Amount" shall mean, with respect to any Bonds, the aggregate principal amount of thereof.

Effect of Notice of Redemption

Notice having been given as required in the Resolutions, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's applicable Debt Service Fund or deposited with a duly appointed escrow agent, 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 or deposited with a duly appointed escrow agent, so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, maturity and principal amount and transferred upon the bond registrar 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.

Discharge and Defeasance

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

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bonds outstanding, and when the same become due and payable;

(b) by depositing with the Paying Agent, or with a duly appointed escrow agent in an irrevocable trust, at or before maturity, cash which, together with the amounts then on deposit in the applicable Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds outstanding 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 which meets the requirements for acting as a successor Paying Agent pursuant to the Resolution selected by the District, 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 permitted 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 to pay and discharge all Bonds outstanding at maturity thereof, including any premium and all interest thereon, for which notice has been given or provided for, 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 the affected 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 the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

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 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 of the Bonds. For further information regarding DTC and the book-entry system, see APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” hereto.

Debt Service Schedule

The following table summarizes the debt service requirements of the District for all its outstanding general obligation bonds and the Bonds, assuming no optional redemptions:

Year Ending (August 1)	Outstanding General Obligation Bonds[1]	2020B Bonds Principal	2020B Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest	Total
2020	$24,811,218.50	$ -	$2,817,873.75	$ 390,000.00	$100,839.03	$28,119,931.28
2021	25,471,381.00	1,530,000.00	11,026,462.50	555,000.00	388,347.50	38,971,191.00
2022	15,803,831.00	-	10,949,962.50	2,935,000.00	379,190.00	30,067,983.50
2023	16,360,881.00	-	10,949,962.50	2,955,000.00	329,295.00	30,595,138.50
2024	13,984,381.00	-	10,949,962.50	5,840,000.00	277,582.50	31,051,926.00
2025	15,804,881.00	-	10,949,962.50	4,695,000.00	172,462.50	31,622,306.00
2026	16,757,019.00	-	10,949,962.50	4,390,000.00	85,605.00	32,182,586.50
2027	21,550,519.00	-	10,949,962.50	-	-	32,500,481.50
2028	21,744,569.00	-	10,949,962.50	-	-	32,694,531.50
2029	22,371,844.00	-	10,949,962.50	-	-	33,321,806.50
2030	23,022,219.00	-	10,949,962.50	-	-	33,972,181.50
2031	23,441,269.00	-	10,949,962.50	-	-	34,391,231.50
2032	7,838,269.00	-	10,949,962.50	-	-	18,788,231.50
2033	7,838,269.00	295,000.00	10,949,962.50	-	-	19,083,231.50
2034	8,383,269.00	570,000.00	10,935,212.50	-	-	19,888,481.50
2035	8,775,556.00	1,065,000.00	10,906,712.50	-	-	20,747,268.50
2036	9,183,325.00	1,610,000.00	10,853,462.50	-	-	21,646,787.50
2037	9,303,575.00	2,500,000.00	10,772,962.50	-	-	22,576,537.50
2038	9,749,325.00	3,140,000.00	10,647,962.50	-	-	23,537,287.50
2039	10,193,825.00	3,875,000.00	10,490,962.50	-	-	24,559,787.50
2040	10,685,825.00	4,645,000.00	10,297,212.50	-	-	25,628,037.50
2041	11,171,575.00	6,750,000.00	10,064,962.50	-	-	27,986,537.50
2042	11,649,825.00	7,940,000.00	9,794,962.50	-	-	29,384,787.50
2043	12,214,325.00	9,135,000.00	9,477,362.50	-	-	30,826,687.50
2044	12,800,563.00	10,425,000.00	9,111,962.50	-	-	32,337,525.50
2045	13,416,125.00	11,810,000.00	8,694,962.50	-	-	33,921,087.50
2046	14,057,075.00	14,290,000.00	8,222,562.50	-	-	36,569,637.50
2047	15,294,475.00	15,220,000.00	7,740,275.00	-	-	38,254,750.00
2048	15,274,200.00	17,430,000.00	7,226,600.00	-	-	39,930,800.00
2049	15,977,800.00	19,100,000.00	6,638,337.50	-	-	41,716,137.50
2050	16,706,600.00	20,910,000.00	5,993,712.50	-	-	43,610,312.50
2051	17,472,800.00	17,520,000.00	5,288,000.00	-	-	40,280,800.00
2052	18,263,000.00	19,435,000.00	4,412,000.00	-	-	42,110,000.00
2053	19,859,200.00	20,735,000.00	3,440,250.00	-	-	44,034,450.00
2054	20,767,000.00	22,890,000.00	2,403,500.00	-	-	46,060,500.00
2055	21,720,400.00	25,180,000.00	1,259,000.00	-	-	48,159,400.00
Total	$559,720,213.50	$258,000,000.00	$319,916,823.75	$21,760,000.00	$1,733,321.53	$1,161,130,358.78

(1) Represents all outstanding general obligation bonds of the District and excludes the bonds to be refunded by the Refunding Bonds.

PLAN OF FINANCE

The proceeds of the 2020B Bonds are being applied to (i) finance the construction, acquisition, furnishing and equipping of District facilities, all as included in the Project List (defined below) approved at the Election (ii) pay capitalized interest for the 2020B Bonds, and (iii) pay certain costs of issuance associated with the 2020B Bonds.

The Project. The "Strict Accountability in Local School Construction Bonds Act of 2000," comprising Section 15264 *et seq.* of the Education Code, controls the method by which the District will expend amounts derived from the sale of the 2020B Bonds on its capital improvements. Prior to the Election, the District prepared and submitted to the District Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the 2020B Bonds (the "Project List").

With respect to these projects included in the Project List, the District has evaluated facility needs to continue to provide for safety, class size reduction and information technology; and the District has appointed an independent citizens' oversight committee to oversee the implementation of the projects. Several key projects include:

- Phase 2 Reconstruction of Chino High School
- Construction of Cal Aero Preserve Academy (K-8) #2
- Modernization of Canyon Hills Junior High School
- Modernization of Townsend Junior High School
- Modernization of Ayala High School
- Safety and Security Group 4 (Briggs Fundamental School K-8, Cal Aero Preserve Academy K-8, Borba Elementary School (ES), Chaparral ES, Cortez ES, Dickson ES, Liberty ES)
- Safety and Security Group 5 (Dickson ES, Glenmeade ES, Marshall ES, Newman ES, Rhodes ES, Walnut Avenue ES, Wickman ES)
- Modernization of Butterfield Ranch ES
- Modernization of Eagle Canyon ES
- Modernization of Hidden Trails ES

The allocation of 2020B Bond proceeds and the timely completion of projects could be affected by the District's ability to receive State matching funds as well as the final costs of each project. The estimated costs for each Project may be affected by outside factors beyond the District's control. The timing of projects will be established and shall be subject to revision by the Board of Education and will be subject to review by the citizen's oversight committee.

PLAN OF REFUNDING

The Refunding Bonds

The net proceeds of the Refunding Bonds will be applied to (i) advance refund the District's General Obligation Refunding Bonds 2002 Election, 2011 Series A, as further designated below (so refunded, the "Refunded 2011A Bonds"), (ii) advance refund a portion of the District's General Obligation Refunding Bonds 2002 Election, 2012 Series A, as further designated below (so refunded, the "Refunded 2012A Bonds") and (iii) pay the costs of issuance of the Refunding Bonds. The bonds designated to be refunded will be known collectively, as the "Refunded Bonds."

On the date of delivery of the Refunding Bonds, a portion of the net proceeds of the Refunding Bonds will be deposited into one or more Escrow Funds (each, an "Escrow Fund") established for the purpose of paying when due and/or refunding the Refunded Bonds pursuant to that certain Escrow Agreement, dated as of April 1, 2020 (the "Escrow Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., in the capacity of Escrow Agent (the "Escrow Agent").

The net proceeds of the Refunding Bonds will be invested under the terms of the Escrow Agreement. Amounts available in the Escrow Fund will be applied (i) to pay interest and principal coming due on the Refunded Bonds on and prior to their respective maturity dates and (ii) to redeem the Refunded Bonds on their respective redemption dates, at a redemption price equal to 100% of the principal amount of the Refunded Bonds together with interest accrued thereon. The Escrow Agreement provides for the investment of the proceeds of the Refunding Bonds deposited thereunder in 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. Robert Thomas CPA, LLC, certified public accountants (the "Verification Agent") will verify the sufficiency of amounts so deposited and invested to provide for such payments.

SUMMARY OF THE BONDS TO BE REFUNDED BY THE REFUNDING BONDS

General Obligation Refunding Bonds, 2002 Election, 2011 Series A
Redemption Date August 1, 2021

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP Number[1] (169583)	Call Price
2022	$2,510,000	5.000%	DT5	100.00
2023	2,600,000	5.000	DU2	100.00
2024	2,970,000	5.000	DV0	100.00
2025	3,130,000	5.000	DW8	100.00
2026	550,000	4.250	DX6	100.00
2026	2,650,000	5.000	DY4	100.00

General Obligation Refunding Bonds, 2002 Election, 2012 Series A
Redemption Date August 1, 2022

Maturity Date (August 1)	Principal Amount	Interest Rate	CUSIP Number[1] (169583)	Call Price
2024	2,685,000	5.000%	EL1	100.00
2025	1,520,000	5.000	EN7	100.00
2026	1,275,000	5.000	EQ0	100.00

[1] CUSIP® is a registered trademark of the 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 Services. None of the District, Financial Advisor or the Underwriter take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.

ESTIMATED SOURCES AND USES OF FUNDS

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

Source of Funds	2020B Bonds	Refunding Bonds	Total
Principal Amount	$258,000,000.00	$21,760,000.00	$279,760,000.00
Plus Net Original Issue Premium	21,164,439.85	-	21,164,439.85
Total Sources	$279,164,439.85	$21,760,000.00	$300,924,439.85
Uses of Funds			
Building Fund	$257,562,193.83	$ -	$257,562,193.83
Escrow Fund	-	21,569,590.14	21,569,590.14
Debt Service Fund(1)	20,003,439.85	-	20,003,439.85
Costs of Issuance(2)	1,598,806.17	190,409.86	1,789,216.03
Total Uses	$279,164,439.85	$21,760,000.00	$300,924,439.85

(1) Includes capitalized interest through August 1, 2022.
(2) Costs of Issuance include Underwriter's discount, fees and expenses of Bond and Disclosure Counsel, the Financial Advisor, Paying Agent, Escrow Agent, Verification Agent, Rating Agency fees, demographic data, printing and other miscellaneous costs.

SECURITY AND SOURCES OF PAYMENT 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.

Assessed Valuations – Constitutional and Statutory Initiatives

Article XIIIA of the California Constitution. Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness or 55% of voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

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

Assessed Valuations of the District

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.

The State-reimbursed exemption currently provides a credit of $7,000 of the full 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.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Shown in the following tables is information relating to the assessed valuation of property in the District during the current and past five fiscal years, assessed valuation and parcels by land use, and per parcel assessed valuation of single-family homes.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations

	Local Secured	Utility	Unsecured	Total
2015-16	$ 21,881,301,699	$ 891,564	$ 822,969,642	$ 22,705,162,905
2016-17	23,082,930,358	891,352	807,271,446	23,891,093,156
2017-18	24,761,086,325	891,272	880,252,725	25,642,230,322
2018-19	26,835,059,463	889,385	936,868,795	27,772,817,643
2019-20	28,539,258,515	1,713,411	1,054,816,975	29,595,788,901

Source: California Municipal Statistics, Inc.

CHINO VALLEY UNIFIED 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	$ 285,949,776	1.00%	469	0.83%
Commercial/Office	2,418,246,825	8.47	1,324	2.36
Industrial	4,145,053,091	14.52	1,169	2.08
Recreational	77,647,364	0.27	61	0.11
Government/Social/Institutional	61,044,083	0.21	160	0.28
Subtotal Non-Residential	$6,987,941,139	24.49%	3,183	5.66%
Residential:				
Single Family Residence	$ 16,433,093,392	57.58%	37,793	67.22%
Condominium	3,021,491,106	10.59	8,292	14.75
Mobile Home	40,130,715	0.14	1,074	1.91
Mobile Home Park	58,949,343	0.21	13	0.02
2-4 Residential Units	195,082,271	0.68	515	0.92
5+ Residential Units/Apartments	1,193,197,660	4.18	531	0.94
Miscellaneous Residential	2,081,482	0.01	29	0.05
Subtotal Residential	$ 20,944,025,969	73.39%	48,247	85.82%
Vacant Parcels	$ 607,291,407	2.13%	4,789	8.52%
Total	$ 28,539,258,515	100.00%	56,219	100.00%

[1] Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

CHINO VALLEY UNIFIED 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	37,793	$ 16,433,093,392	$ 434,818	$ 396,145

2019-20 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	430	1.138%	1.138	$ 15,505,554	0.094%	0.094%
$50,000 - $99,999	1,029	2.723	3.861	77,032,172	0.469	0.563
$100,000 - $149,999	1,078	2.852	6.713	135,975,235	0.827	1.391
$150,000 - $199,999	1,986	5.255	11.968	352,543,397	2.145	3.536
$200,000 - $249,999	3,306	8.748	20.715	748,369,098	4.554	8.090
$250,000 - $299,999	3,611	9.555	30.270	993,160,597	6.044	14.134
$300,000 - $349,999	3,976	10.520	40.791	1,291,198,067	7.857	21.991
$350,000 - $399,999	3,741	9.899	50.689	1,401,247,560	8.527	30.518
$400,000 - $449,999	3,603	9.534	60.223	1,530,973,949	9.316	39.834
$450,000 - $499,999	3,438	9.097	69.320	1,630,455,172	9.922	49.756
$500,000 - $549,999	2,645	6.999	76.318	1,387,491,366	8.443	58.199
$550,000 - $599,999	2,089	5.527	81.846	1,199,087,877	7.297	65.496
$600,000 - $649,999	1,804	4.773	86.619	1,124,024,808	6.840	72.336
$650,000 - $699,999	1,222	3.233	89.853	821,824,341	5.001	77.337
$700,000 - $749,999	932	2.466	92.319	673,580,453	4.099	81.436
$750,000 - $799,999	699	1.850	94.168	540,425,849	3.289	84.725
$800,000 - $849,999	500	1.323	95.491	411,634,994	2.505	87.230
$850,000 - $899,999	385	1.019	96.510	335,947,587	2.044	89.274
$900,000 - $949,999	302	0.799	97.309	278,135,509	1.693	90.967
$950,000 - $999,999	186	0.492	97.801	181,024,735	1.102	92.068
$1,000,000 and greater	831	2.199	100.000	1,303,455,072	7.932	100.000
Total	37,793	100.000%		$ 16,433,093,392	100.000%	

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

CHINO VALLEY UNIFIED 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 Chino	$ 14,210,030,880	48.01%	$ 14,223,945,266	99.90%
City of Chino Hills	12,983,141,079	43.87	12,983,141,079	100.00
City of Ontario	1,754,804,151	5.93	27,517,353,669	6.38
Unincorporated San Bernardino County	647,812,791	2.19	35,611,532,309	1.82
Total District	$ 29,595,788,901	100.00%		
San Bernardino County	$ 29,595,788,901	100.00%	$ 237,014,054,031	12.49%

Source: California Municipal Statistics, Inc.

Tax Rates, Levies, Collections and Delinquencies

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 State assessed 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 and community college 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 with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and ½% 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 are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of 1 ½% per month begins to accrue on November 1. 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 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.

The County levies and collects all property taxes for property falling within its taxing boundaries.

Alternative Method of Tax Apportionment – 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, 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 is applicable to all tax levies for which such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied in the County to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1 for the County), 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 which event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors of the County may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within the County's taxing boundaries. The County does not provide information regarding secured tax charges and delinquencies.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (1-001) for fiscal years 2015-16 through 2019-20:

CHINO VALLEY UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates Per $100 of Assessed Valuation (TRA 1-001)

	2015-16	2016-17	2017-18	2018-19	2019-20(1)
General	1.0000%	1.0000%	1.0000	1.0000	1.0000
Chaffey Community College District	.0113	.0116	.0088	.0153	.0241
Chino Valley Unified School District	.0331	.0383	.0934	.0849	.0790
Metropolitan Water District	.0035	.0035	.0035	.0035	.0035
Total	1.0479%	1.0534%	1.1057	1.1037	1.1066

(1) TRA 1-001, 2019-20 Assessed Valuation: $5,147,601,819.
Source: California Municipal Statistics, Inc.

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Largest Taxpayers

The twenty largest local secured taxpayers in the District and their assessed valuations for 2019-20 are shown in the following table.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
Largest 2019-20 Local Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total[(1)]
1.	Watson Land Company	Industrial	543,402,515	1.90%
2.	Majestic Realty Co.	Industrial	460,017,863	1.61
3.	Homecoming I at the Preserve LLC	Apartments	174,516,561	0.61
4.	John Hancock Life Insurance Company	Industrial	169,294,275	0.59
5.	Chino Dunhill LLC	Shopping Center	156,218,435	0.55
6.	MLM Chino Property LLC	Shopping Center	139,252,393	0.49
7.	Chino Kimball Industrial LLC	Industrial	129,035,714	0.45
8.	Spectrum South No. 1-6 LLC	Industrial	127,306,792	0.45
9.	Chino Center Inc.	Industrial	120,630,358	0.42
10.	FHF I The Heights LLC	Apartments	99,488,250	0.35
11.	NF Chino Hills Associates LP	Apartments	89,252,945	0.31
12.	Majestic-AMB South Chino LLC	Industrial	87,071,686	0.31
13.	Chino Holding Company LLC	Undeveloped	83,103,133	0.29
14.	PK I Chino Town Square LP	Shopping Center	79,304,346	0.28
15.	Avalon Chino Hills LP	Apartments	79,030,776	0.28
16.	Centrepointe Distribution Center II	Industrial	78,517,885	0.28
17.	12945-13225 Peyton Drive Holdings LLC	Shopping Center	74,929,393	0.26
18.	TH Miramonte Investors LLC	Undeveloped	74,575,872	0.26
19.	JSP Creekside LP	Apartments	71,215,573	0.25
20.	ROC III CA Crossing at Chino Hills	Apartments	69,179,635	0.24
			$ 2,905,344,400	10.18%

(1) 2019-20 Local Secured Assessed Valuation: $28,539,258,515.
Source: California Municipal Statistics, Inc.

District Debt

The following table is a statement of the District's direct and estimated overlapping bonded debt as of March 1, 2020. The debt report is included for general information purposes only. The District has not reviewed the debt report for completeness or accuracy and makes no representation in connection therewith.

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

Column 1 in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in Column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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CHINO VALLEY UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2019-20 Assessed Valuation: $29,595,788,901

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/20
Metropolitan Water District	0.957%	$ 356,961
Chaffey Community College District	24.544	82,914,541
Chino Valley Unified School District	**100.000**	**309,110,000**[(1)]
City of Chino Community Facilities Districts	100.000	147,655,000
City of Chino Hills Community Facilities Districts	100.000	29,895,000
City of Chino Hills 1915 Act Bonds	100.000	425,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$570,356,502
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	12.487%	$29,861,412
San Bernardino County Pension Obligation Bonds	12.487	29,620,742
San Bernardino County Flood Control District General Fund Obligations	12.487	7,136,945
Chaffey Community College District General Fund Obligations	24.544	7,468,739
Chino Valley Unified School District Certificates of Participation	**100.000**	**5,235,000**
City of Ontario General Fund Obligations	6.377	3,761,473
West Valley Vector Control District Certificates of Participation	34.096	757,443
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$83,841,754
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$50,200,000
COMBINED TOTAL DEBT		$704,398,256[(2)]

(1) Excludes issue 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 ($309,110,000)..1.04%
Total Direct and Overlapping Tax and Assessment Debt...... 1.93%
Combined Direct Debt ($314,345,000) 1.06%
Combined Total Debt 2.38%

Ratios to Redevelopment Incremental Valuation ($3,665,269,500):
Total Overlapping Tax Increment Debt................................ 1.37%

Source: California Municipal Statistics, Inc.

Pledge of Tax Revenues

Pursuant to the Resolutions, the District pledges all revenues from the property taxes collected from the levy by the County Board of Supervisors for the payment of the Bonds and amounts on deposit in the debt service fund of the District to the payment of the principal or redemption price of and interest on the Bonds. This pledge is valid and binding from the date of adoption of the Resolutions for the benefit of the owners of the Bonds and successors thereto. The Resolutions provide that the property taxes and amounts held in the debt service fund of the District are immediately subject to this pledge, and the pledge constitutes a lien and security interest which immediately attaches to the property taxes and amounts held in the debt service fund of the District to secure the payment of the Bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. "Bonds" for purpose of this pledge means all bonds of the District heretofore or hereafter issued pursuant to voter approved measures of the District, including any refunding bonds thereof, as all such Bonds are required by State law to be paid from the respective debt service fund of the District.

Each Resolution provides that the pledge is an agreement between the District and the bondholders to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other bonds secured by the pledge are or were issued to finance one or more of the projects specified in the applicable voter-approved measure or to refinance outstanding general obligation bonds.

Statutory Lien for General Obligation Bonds

Pursuant to Senate Bill 222 (2015) ("SB 222") codified at State Government Code Section 53515 provides that all general obligation bonds issued by local agencies on or after January 1, 2016, including the Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the District or its governing board, and will be valid and binding from the time the bonds are executed and delivered. See also "LEGAL AND OTHER MATTERS – Possible Limitations on Remedies; Bankruptcy – *Statutory Lien*" herein.

Dedicated Unlimited *Ad Valorem* Property Tax Collection

Factors Affecting Assessed Valuation. The annual tax rate will be based on the assessed value of taxable property in the District. Changes in the annual debt service on the District's outstanding general obligation bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as economic recession, deflation of land values, global pandemics, such as COVID-19, relocation of businesses out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, drought, fire or other natural disaster, could cause a reduction in the assessed value of taxable property in the District and, all other factors being equal, necessitate a corresponding increase in the annual tax rate. Conversely, factors such as increased assessed value of taxable property and/or an increase in the numbers of property taxpayers within the District could, all other factors being equal, cause a corresponding decrease in the annual tax rate.

The level of property tax delinquencies is affected by economic factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession. The District cannot predict whether the COVID-19 pandemic will have a significant effect on the rate of delinquency in the payment of property taxes in the District. See "LEGAL AND OTHER MATTERS – Risks Related to COVID-19" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Alternative Method of Tax Apportionment – Teeter Plan" herein.

Assessment Appeals and Adjustments of Assessed Valuation. Under State law, property owners may apply for a reduction of their property tax assessment by filing an application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly re-appraisals 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 "APPENDIX A – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT - CONSTITUTIONAL AND STATUTORY INITIATIVES – Article XIIIA of the California Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See " - *Proposition 50 and Proposition 171*" below. Such reductions are subject to yearly re-appraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

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

Effect of Natural Disaster on Assessed Valuation. Assessed valuations are subject to change in each year, and such changes may result from a variety of factors, including natural disasters.

In recent years, there have been several notable natural disasters throughout the State. These include drought conditions, which led to a State-wide drought State of Emergency issued in January, 2014, and certain executive orders issued in 2015 and 2016 aimed to reduce water usage in local communities. The drought was declared to have ended in 2017 due to record-level precipitation in late 2016 and early 2017, with the exception of Fresno, Kings, Tulare and Tuolumne counties, where emergency drinking water projects are currently in place to address diminished groundwater supplies.

In addition, wildfires have occurred in recent years in different regions of the State. The District did not sustain any serious property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. On September 21, 2018, then-Governor Brown signed a number of measures into law addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acres burned by wildfire in the State would both increase in the future. This report details significant economic impact to the State as a result of these and other natural disasters. The report is publicly available at http://www.climateassessment.ca.gov/. The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current, has not been reviewed by the District and is not incorporated herein by reference.

The District cannot predict or make any representations regarding the effects that natural disasters, such as fire, drought or extended drought conditions, earthquakes, or other related natural or man-made conditions, have or may have on the value of taxable property within the District, or to what extent the effects said natural disasters might have had on economic activity in the District or throughout the State.

Proposition 50 and Proposition 171. On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

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

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

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

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

TAX MATTERS

Tax-Exempt Bonds

Tax Exemption.

The delivery of the Tax-Exempt Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds is exempt from personal income taxes of the State of California. A form of Bond Counsel's anticipated opinion is included in Appendix B. The statutes, regulations, rulings, and court decisions on which such opinion 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 of even date with the date of delivery of the Tax-Exempt Bonds pertaining to the use, expenditure and investment of the proceeds of the Tax-Exempt Bonds and will assume continuing compliance with the provisions of the Resolution relating to the Tax-Exempt Bonds by the District subsequent to the issuance of the Tax-Exempt Bonds. The Resolution and the Tax Certificate (with respect to the Tax-Exempt Bonds) contain covenants by the District with respect to, among other matters, the use of the proceeds of the Tax-Exempt Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Tax-Exempt 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 may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Tax-Exempt 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 Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations such as the Tax-Exempt 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 ("FASIT"), 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 (the "IRS") 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 IRS or the State of California. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Tax-Exempt Bonds is commenced, under current procedures, the IRS is likely to treat the District as the "taxpayer," and the owners of the Tax-Exempt 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 Tax-Exempt Bonds, the District may have different or conflicting interests from the owners of the Tax-Exempt Bonds. Public awareness of any future audit of the Tax-Exempt Bonds could adversely affect the value and liquidity of the Tax-Exempt Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to Bondholders of the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Tax-Exempt Bonds

The initial public offering of certain of the Tax-Exempt Bonds (the "Discount Bonds") may be less than the amount payable on such Tax-Exempt 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 Discount 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. 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, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest 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 initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial 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 owners of an interest in a FASIT, 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 original issue discount on Discount Bonds and with respect to the state and local tax consequences of owning and disposing of 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 Premium 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 and disposing of Premium Bonds.

Taxable Bonds

General. The delivery of the Taxable Bonds is subject to delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State, that interest on the Taxable Bonds is exempt from personal income taxes of the State.

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Taxable Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Taxable Bonds in light of the investor’s particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Taxable Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable Bonds as “capital assets” within the meaning of section 1221 of the Code, and acquire such Taxable Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the IRS or the State of California with respect to any of the U.S. federal income tax consequences discussed herein, and no assurance can be given that the IRS or the State of California will not take contrary positions. A form of Bond Counsel's anticipated opinion is included as Appendix B-2.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS.

Payments of Stated Interest on the Taxable Bonds. The stated interest paid on the Taxable Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount. If a substantial amount of the Taxable Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Taxable Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Taxable Bonds will be amortized over the life of the Taxable Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Taxable Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Taxable Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Taxable Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Taxable Bonds will increase the adjusted tax basis of the Taxable Bonds in the hands of such beneficial owner.

Premium. If a beneficial owner purchases a Taxable Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Taxable Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Taxable Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Taxable Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Taxable Bond. However, if the Taxable Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the Taxable Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned with respect to the Taxable Bonds as well as gain on the sale of a Taxable Bond.

Disposition of Taxable Bonds and Market Discount. A beneficial owner of Taxable Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Taxable Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Taxable Bonds. Generally, the beneficial owner's adjusted tax basis in the Taxable Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Taxable Bonds.

Under current law, a purchaser of Taxable Bonds who did not purchase the Taxable Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Taxable Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Taxable Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Taxable Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Taxable Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Taxable Bonds could have a material effect on the market value of the Taxable Bonds.

Legal Defeasance. If the District elects to defease the Taxable Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding Taxable Bonds (a "legal defeasance"), under current tax law, a beneficial owner of Taxable Bonds may be deemed to have sold or exchanged its Taxable Bonds. In the event of such a legal defeasance, a beneficial owner of Taxable Bonds generally would recognize gain or loss in the manner described above. Ownership of the Taxable Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the Taxable Bonds.

Backup Withholding. Under section 3406 of the Code, a beneficial owner of the Taxable Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Taxable Bonds. This withholding applies if such beneficial owner of Taxable Bonds: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Taxable Bonds. Beneficial owners of the Taxable Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Taxable Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Taxable Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest with respect to the Taxable Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments with respect to the Taxable Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8BEN, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge that such person is a U.S. person.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Bonds and sales proceeds of Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to "foreign passthru payments" but no earlier than two years after the date of publication of final regulations defining the term "foreign passthru payment." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficial owners with respect to the Taxable Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Taxable Bond for U.S. federal income tax purposes.

LEGAL OPINIONS

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Norton Rose Fulbright US LLP, Bond Counsel to the District. Copies of the proposed forms of Bond Counsel opinions are contained in APPENDIX B herein. Compensation to be paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the issuance of the Bonds.

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.

VERIFICATION AGENT

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of the projected payments of principal and interest to retire the Refunded Bonds and yields will be verified by Robert Thomas CPA, LLC, as Verification Agent. Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome. See "PLAN OF REFUNDING" herein.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Moody's Investors Service ("Moody's") have assigned their municipal bond ratings of "AA-" and "Aa2" to the Bonds, respectively. Such ratings reflect only the views of S&P and Moody's, respectively, and an explanation of the significance of such ratings may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000 and 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 ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL AND OTHER MATTERS

Continuing Disclosure

***Current Undertaking*.**

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 Undertaking (the "Continuing Disclosure Undertaking") in the form of APPENDIX D hereto, on or prior to the sale 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. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Underwriter in complying with the Rule. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" hereto.

***Prior Undertaking*.**

In the last five years, the District has complied in all material respects with the annual filing requirements of continuing disclosure undertakings executed in connection with prior securities offerings.

Risks Related to COVID-19

The recent outbreak of the novel strain of coronavirus called COVID-19, which has been designated a global pandemic by the World Health Organization, is impacting local and global economies, as governments, businesses, and citizens react to, plan for, and try to prevent or slow further transmission of the virus. Financial markets, including the stock market in the United States and globally, have seen significant recent volatility and decline that have been attributed to COVID-19 concerns, economic output has fallen, and unemployment has increased. The California Department of Public Health and the United States Centers for Disease Control and Prevention have been providing regular updates and guidelines to the public and to State and local governments. On March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, President Donald Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State have temporarily closed some or all school campuses in response to local and State directives or guidance. In its own response to COVID-19, the District's Board made the decision to close all District schools beginning March 16, 2020 until May 1, 2020, unless conditions call for an extension. On March 16, 2020, the Governor remarked that residents of the State should prepare for most schools to be closed for the remainder of the 2019-20 school year, and on April 1, 2020, the District's Superintendent announced the closure of all schools for in-person instruction for the remainder of the 2019-20 school year.

President Trump's declaration of a national emergency on March 13, 2020 made available more than $50 billion in federal resources to combat the spread of the virus. A multibillion dollar Coronavirus relief package was signed into law by President Trump on March 18, 2020 providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. On March 27, 2020, the United States Congress passed a $2 trillion relief package responding to the COVID-19 emergency, which has been signed by President Trump, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, $367 billion for loans to small businesses, a $500 billion fund to assist distressed large businesses, including approximately $30 billion to The Education Stabilization Fund to provide Emergency Relief Grants to educational institutions and local educational agencies in their respective responses to COVID-19. This funding allocation includes approximately $13.5 billion in formula funding to the Elementary and Secondary School Emergency Fund to make grants available to each state educational agency to facilitate K-12 schools' responses to COVID-19.

Because of the evolving nature of the outbreak and federal, State and local responses thereto, the District cannot predict the extent or duration of the outbreak, or what impact the outbreak, efforts to slow it, and any resulting economic consequences might have on the District's financial condition or operations, including potential impacts on the future assessed values of property within the District. See "SECURITY AND SOURCE OF PAYMENT OF THE BONDS – Assessed Valuations of the District." As discussed herein under APPENDIX A - "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – District Enrollment -- Local Control Funding Formula (LCFF)," and " - LCFF and the District," the District receives much of its revenues from LCFF sources which are comprised of local property taxes and State moneys. In the event the State experiences a decline in revenue as a consequence of the impacts of COVID-19, there may be a resulting decline in revenue available for funding school districts. See APPENDIX A – "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA." Although the Bonds are payable solely from *ad valorem* property taxes and not payable from the general fund of the District, the District cannot predict what future impacts the outbreak may have on its operations and budget.

For a further discussion of the impacts the District may face in connection with the coronavirus pandemic, see "APPENDIX A − FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Impact to District Operations and Budget Due to Coronavirus Pandemic." Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to the Governor's office (http://www.gov.ca.gov), the California Department of Public Health (http://covid19.ca.gov/) and the County (http://wp.sbcounty.gov/dph/coronavirus/). The District has not incorporated by reference the information on such websites and the District does not assume any responsibility for the accuracy of the information on such websites.

Possible Limitations on Remedies; Bankruptcy

General. Following is a discussion of certain considerations in the event that the District should become a debtor in a bankruptcy proceeding. It is not an exhaustive discussion of the potential application of bankruptcy law to the District. The discussion is based on the United States Bankruptcy Code ("the Bankruptcy Code") as now in effect and the few relevant judicial decisions to date. The Bankruptcy Code could be amended or construed differently in future judicial decisions (including as a result of possible future decisions in the pending analogous insolvency proceedings for the Commonwealth of Puerto Rico). Any such action could affect the possible application of bankruptcy law to the District.

State law contains a number of safeguards to protect the financial solvency of school districts. See "APPENDIX A – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the District for the adjustment of its debts, assuming that the District meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. Under current State law, the District is not itself authorized to file a bankruptcy proceeding, and it is not subject to an involuntary bankruptcy proceeding.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, bondholders may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission, except possibly as described below in the case of pledged "special revenues." In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, including the obligation of the County and the District to raise taxes if necessary to pay the Bonds, if the bankruptcy court determines that the plan is fair, equitable, not unfairly discriminatory to creditors as a whole, is in the best interests of creditors and otherwise complies with the Bankruptcy Code. There also may be other possible effects of a District bankruptcy proceeding that could result in delays or reductions in payments on the Bonds. Regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Limitations on Plans of Adjustments. Chapter 9 of the Bankruptcy Code does not limit or impair the power of a state to control, by legislation or otherwise, a political subdivision of the state in the exercise of its political or governmental powers, including expenditures for the exercise. In addition, Chapter 9 prevents a bankruptcy court from interfering with the political or governmental powers of a political subdivision debtor, any of its property or revenues or the use or enjoyment of its income producing property, unless the political subdivision debtor confirms a plan of adjustment to that effect or consents to that action. State law provides that *ad valorem* taxes may be levied to pay the principal of and interest on the Bonds and other voted general obligation bonds of the District in an unlimited amount, and that proceeds of such a levy must be used for the payment of principal of and interest on the District's general obligation bonds, including the Bonds, and for no other purpose. Under State law, the District's share of the 1% limited tax imposed by the County is the only *ad valorem* tax revenue that may be raised and expended to pay liabilities and expenses of the District other than its voter-approved debt, such as its general obligation bonds. If the District should become a debtor in a Chapter 9 proceeding, then it must propose a plan of adjustment of its debts. The plan may not become effective until confirmed by the bankruptcy court.

The court may not confirm a plan unless it finds, among other conditions, that the District is not prohibited by law from taking any action necessary to carry out the plan, and that the plan is fair, equitable, does not unfairly discriminate among creditors as a whole, is in the best interests of creditors, and is feasible. If the State law restriction on the levy and expenditure of *ad valorem* taxes is respected in a bankruptcy case, then *ad valorem* tax revenue levied by the County for prepayment of the Bonds could not be used by the District for any purpose under its plan other than to make payments on the Bonds and its other voted general obligation bonds. It is possible, however, that a bankruptcy court could conclude that the restriction is not required to be respected in a confirmed plan.

Statutory Lien. Pursuant to Senate Bill 222 (2015) ("SB 222") that became effective on January 1, 2016, all general obligation bonds issued by local agencies, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* property taxes. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are issued. As a result, the lien on debt service taxes will continue to be valid with respect to post-petition receipts of debt service taxes, should the District become a Chapter 9 debtor. The automatic stay provisions of the Bankruptcy Code would apply, however, thereby preventing bondholders from enforcing their rights to payment from such taxes (with the result that any payments becoming due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed), except as described under "--Special Revenues" below. It is also possible that the bankruptcy court could approve an alternate use of such taxes, if the bondholders are afforded protection that the court determines to be adequate.

Special Revenues. If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application by the County (or others with possession) of pledged *ad valorem* property tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay, and bondholders may be able to compel their immediate use to pay debt service, subject to the matters discussed below, including a recent decision by the United States Court of Appeals for the First Circuit.

"Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Bonds. The Bonds and the District's other general obligation bonds were approved at elections held on propositions that described the projects for which such bonds may be issued. As noted above, State law prohibits the use of the proceeds of the District's debt service tax for any purpose other than payment of its general obligation bonds, and the bond proceeds may only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payment of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Even if the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, bondholders may not be able to compel that they be used to pay debt service during the pendency of a Chapter 9 proceeding. While the application of special revenues is exempt from the automatic stay by Section 922(d) of the Bankruptcy Code, the United States Court of Appeals for the First Circuit has interpreted that section to exempt only voluntary applications by the debtor and voluntary applications by creditors or others of property in their possession, and not to exempt actions by creditors to compel an application by others, and has held that a bankruptcy court lacks authority to compel the application of special revenues. *In re: The Financial Oversight and Management Board for Puerto Rico,* 919 F.3d 121 (1st Cir. 2019). The U.S. Supreme Court declined to review the First Circuit decision. If the First Circuit's interpretation is upheld and applied by courts in the Ninth Circuit and the State Superintendent (or State-appointed administrator) were to file a petition to initiate a Chapter 9 proceeding in respect of the District, the bondholders would be stayed from seeking to compel the application of pledged *ad valorem* taxes to pay debt service on the Bonds during the pendency of the proceeding (in either federal or state court), if the County failed to do so as required by State law or was instructed not to do so by the District, which would leave bondholders with only state court remedies. Accordingly, even if the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues," a Chapter 9 proceeding could result in a substantial delay in the payment of debt service, if the County failed to apply pledged *ad valorem* taxes to pay debt service on the Bonds.

In addition, the Bankruptcy Code provides that any consensual lien on special revenues "derived" from a project or system is subject to necessary operating expenses of the project or system. This rule applies regardless of the provisions of transaction documents. If a bankruptcy court were to conclude that the District's tax collections are "derived" from a District project or system, then even if pledged *ad valorem* tax revenues are determined to be "special revenues," the court could determine that such revenues may not be ordered (by itself or a state court) to pay debt service to the extent that they are needed to pay necessary operating expenses of the District and may lawfully be applied for that purpose.

Possession of Tax Revenues; Remedies. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

Amounts Held in County Treasury Pool. The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Treasury Pool, as described in "SECURITY FOR AND SOURCES OF PAYMENT FOR THE BONDS" and "APPENDIX F – THE SAN BERNARDINO COUNTY POOL." Should those investments suffer losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified. The proposed forms of opinion of Bond Counsel, attached hereto as APPENDIX B, are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has agreed to purchase the 2020B Bonds from the District at the purchase price of $278,003,439.85 (being the aggregate principal amount of the 2020B Bonds, $258,000,000.00 plus net original issue premium of $21,164,439.85, and less an Underwriter's discount of $1,161,000.00), at the rates and yields shown on the inside covers hereof.

The Underwriter has agreed to purchase the Refunding Bonds from the District at the purchase price of $21,662,080.00 (being the aggregate principal amount of the Refunding Bonds, $21,760,000.00, and less an Underwriter's discount of $97,920.00), at the rates and yields shown on the inside covers hereof.

The Underwriter has, in the past, been a sponsor of the District's annual scholarship fundraising event.

FINANCIAL ADVISOR

Keygent, LLC, a limited liability company ("Keygent") is engaged as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's compensation for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Keygent, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue 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 to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolutions are available upon request from the Assistant Superintendent of Business Services, Chino Valley Unified School District, 5130 Riverside Drive, Chino, California 91710. A fee may be charged for copying and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not 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.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

By: /s/ Norm Enfield, Ed.D.
Superintendent

APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT

The following information, concerning the operations and finances of the District is not intended to and does not suggest that the Bonds are secured by the general revenues or General Fund of the District, nor is the County obligated in any way with respect to the Bonds. The Bonds are general obligation bonds of the District, secured and payable solely from ad valorem property taxes collected against taxable properties within the boundaries of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and other obligations, is intended as general information only, and no implication is made the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem property taxes collected by the County to pay debt service on the Bonds. Pursuant to Section 15241 of the Education Code, all tax revenues collected for payment of debt service on general obligation bonds, including the Bonds, must be deposited into the interest and sinking fund of the District maintained within the County Treasury Pool. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

General

Although the origin of the District can be traced to 1878, with its first Board election, the District began operations as a newly formed unified school district on July 1, 1939. The District is located in the San Bernardino County and provides public education within an approximately 88 square mile area, including the City of Chino, the City of Chino Hills, the southern portion of the City of Ontario and certain unincorporated areas of the County. The District currently operates 35 schools including 20 elementary (K-6), 2 Kindergarten – 8th grade, 5 junior highs, 5 high schools, and 3 alternative schools including a virtual program. The District's average daily attendance ("ADA") for all District programs for Fiscal Years ended June 30, 2018 and June 30, 2019 was 27,117 and 26,582, respectively. The District currently projects that the ADA for Fiscal Year ended June 30, 2020 will be 26,402. Assessed valuation of real property and improvements (full cash value) in the District increased from approximately $27,772,817,643 in 2018-19 to $29,595,788,901 in 2019-20.

District Organization

The District is governed by a Board of Education (the "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. Each December, the Board elects a President, Vice President and Clerk to serve one-year terms. The years in which the current terms for each member of the Board expire are set forth below:

Governing Board Member	Office	Year Current Term Expires
Joe Schaffer	President	2022
Christina Gagnier	Vice President	2022
Irene Hernandez-Blair	Clerk	2020
Andrew Cruz	Member	2020
James Na	Member	2020

Key Personnel

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

Name	**Title**
Norm Enfield, Ed.D.	Superintendent
Sandra H. Chen	Associate Superintendent, Business Services
Gregory J. Stachura	Assistant Superintendent, Facilities, Planning & Operations
Elizabeth A. Pensick	Director, Fiscal Services

Dr. Norm Enfield, Superintendent. Dr. Enfield has served as the District's Superintendent since July 1, 2018. Dr. Enfield started working in the District in 2007 as the Director of Human Resources and was promoted to Assistant Superintendent in February 2010. In January of 2014, Dr. Enfield was promoted to Deputy Superintendent, responsible for overseeing the day-to-day operation of the Chino Valley Unified School District. Dr. Enfield began his career as an elementary school teacher in Rowland Unified School District, and served as an Assistant Principal and Principal in Baldwin Park Unified School District prior to coming to Chino Valley. Dr. Enfield earned his AA degree from Mt. San Antonio College, BA degree from Cal Poly Pomona, MA degree from National University, and Ed.D. from the University of La Verne.

Sandra Chen, Associate Superintendent, Business Services. Ms. Sandra Chen began her career with the District in 1998 as the Facilities Planner/Fiscal Analyst for the Facilities, Planning, and Operations Division. In 2005, she was promoted to Director of Planning and later became the Assistant Superintendent of Facilities, Planning, and Operations from 2006-2010. In December 2010, Ms. Chen was appointed to take the business post as the Assistant Superintendent of Business Services. In 2018, She was promoted to Associate Superintendent of Business Services. Ms. Chen earned her BA degree from UC Irvine, and her MA degree from UCLA.

Gregory Stachura, Assistant Superintendent, Facilities, Planning & Operations. Gregory Stachura has served as the District's Assistant Superintendent of Facilities, Planning and Operations since July 2011. Mr. Stachura started with the District's Maintenance Department in June of 1989 as a Carpenter III. He was promoted to Maintenance Department Manager in 1998, and Construction Coordinator in 2006 prior to being promoted to his current position. He attended Colorado Technical University where he earned his Bachelor of Science in Business Administration-Management. He has also earned certificates in Facilities Management/Plant Engineering and Education Facilities Planning from the University of California, Riverside and a certificate in School Business Management from California State University, Fullerton.

District Employees

As of February 28, 2020, the District employed approximately 1,516 full-time equivalent certificated professionals and 876 full-time equivalent and part-time classified employees. The contracted pupil-teacher ratio within the District is 32:1 (Kindergarten), 31:1 (First Grade), 32:1 (Grades 2 through 6), 34:1 (Grades 7 and 8), and 35:1 (Grades 9 to 12).

District employees are represented by two employee bargaining units. All certificated staff except administrative staff are represented by Associated Chino Teachers ("A.C.T."). Classified staff (except management) are represented by California State Employees Association ("CSEA"). Currently, 100% of all full-time District employees except administrative staff and classified management are covered by collective bargaining agreements. The District has historically enjoyed a good working relationship with each of its bargaining units and has experienced no work stoppages by represented personnel in the last five years.

The District's agreement with A.C.T. expires on June 30, 2022. The District's agreement with CSEA expires on June 30, 2021. The District's contracts with A.C.T. and CSEA contain a cap on healthcare benefits of $7,644 and $9,422, respectively. The cap on healthcare benefits for management is $8,201.

The total accumulated employee compensated absences as of June 30, 2019, amounted to $1,666,446, which is recorded as General Long-Term Debt.

Insurance

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. See APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

District Enrollment

The District has experienced student enrollment declines in the last few years. The table below sets forth the second period enrollment for the District for the fiscal years 2014-15 through 2019-20.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
K-12 Enrollment at P-2 (Including Regular Education, Special Day Class, Opportunity School, Independent Study and Continuation School)
(2014-15 through 2019-20)

Year	Second Period Enrollment (April of each Year)	Increase (Decrease) from Prior Year
2014-15	28,562	(541)
2015-16	27,974	(588)
2016-17	27,601	(373)
2017-18	28,035	434
2018-19	27,693	(342)
2019-20[(1)]	27,537	(156)

(1) Projected.
Source: The District.

Local Control Funding Formula (LCFF). As part of the 2013-14 State Budget, State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF, to replace the revenue limit funding system for determining State apportionments and the majority of categorical program funding. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding that focuses resources based on a school district's student demographics. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF occurred over a period of five fiscal years, beginning in Fiscal Year 2013-14 and ending in Fiscal Year 2019-20, during which annual transition adjustments were calculated for each school district, equal to such district's proportionate share of appropriations included in the 2013-14 State Budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. School districts had the same proportion of their respective funding gaps closed in each year, with funding amounts that varied in accordance with the size of each district's funding gap.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of average daily attendance ("ADA") (by the end of the implementation period). This amount includes an adjustment to the base grant to support lowering class sizes in grades K-3, and an adjustment to reflect the cost of operating career technical education programs in high schools. The authorizing LCFF statute, AB 97, provides for differentiated base grant amounts according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site so as to continue receiving its adjustment to the K-3 base grant. Such K-3 school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."

- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.

- An "Economic Recovery Target" to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

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LCFF and the District

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2019-20:

CHINO VALLEY UNIFIED SCHOOL DISTRICT
ADA, Enrollment and EL/LI Enrollment Percentage
Fiscal Years 2013-14 Through 2019-20

	Average Daily Attendance(1)					Enrollment(2)	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment(3)
2013-14	7,731.65	6,177.06	4,459.45	9,862.79	28,230.95	29,103	47.92%
2014-15	7,660.08	6,219.24	4,313.61	9,649.36	27,842.29	28,771	50.13
2015-16	7,429.12	6,141.40	4,185.52	9,342.41	27,098.45	28,119	50.05
2016-17	7,262.26	6,218.13	4,223.40	9,196.46	26,900.25	27,671	49.44
2017-18	7,560.99	6,244.94	4,337.39	8,971.01	27,114.33	28,141	49.39
2018-19(4)	7,382.84	6,004.91	4,335.86	8,858.11	26,581.72	27,590	49.40
2019-20(5)	7,302.84	5,969.91	4,305.86	8,823.11	26,401.72	27,396	50.70

(1) Except for fiscal years 2018-19 and 2019-20, reflects annual data.
(2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures generally exclude preschool and adult transitional students.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(4) As of June 2019, reflects P-2 data.
(5) Reflects projected ADA and enrollment.

Developer Fees

The District is adjacent to three other counties – Los Angeles County lies west of the District, Riverside County lies south of the District, and Orange County lies southwest of the District. Development is occurring and being planned in five different areas within the District's boundaries, including the unincorporated portion of the County, the City of Chino, the City of Chino Hills, the City of Ontario and the County's Agricultural Preserve. The District receives Developer Fees per square foot pursuant to Education Code Section 17620. As of July 1, 2019, Developer Fees within the District are \$3.79 per square foot for residential housing and \$0.61 per square foot for commercial or industrial development. As of fiscal year 2018-19, the District collected \$3.3 million in developer fees and has budgeted developer fee collections of \$3.2 million for the 2019-20 fiscal year.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Eide Bailly LLP serves as independent auditors to the District and their report for the Fiscal Year Ended June 30, 2019, is attached hereto as APPENDIX C. The District's auditors have not specifically approved the inclusion of such report herewith.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then current projections. The District received positive certifications from the San Bernardino County Office of Education for its fiscal year 2017-18 and 2018-19 interim reports. Independently audited financial reports are prepared annually conforming with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see "APPENDIX C."

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 fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. The District's audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 5130 Riverside Drive, Chino, California 91710, telephone (909) 628-1201. A fee may be imposed for copies and postage.

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General Fund

The following table describes the District's audited financial results for the fiscal years 2014-15 through 2018-19.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
GENERAL FUND
Audited Financial Results for Fiscal Years 2014-15 through 2018-19[(1)]

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
REVENUES					
LCFF Sources	$199,041,502	$224,460,017	$230,752,469	$235,377,761	$247,229,949
Federal revenues	11,853,923	11,653,367	10,952,700	12,007,546	12,007,743
Other State revenues	17,680,656	33,972,771	28,283,441	26,685,217	40,221,325
Other local revenues	15,280,910	16,260,962	13,875,026	16,654,591	17,047,722
TOTAL REVENUES	$243,856,991	$286,347,117	$283,863,636	$290,725,115	$316,506,739
EXPENDITURES					
Instruction	$163,373,970	$163,266,385	$172,805,772	$178,943,177	$191,006,091
Instruction-Related Activities:					
Supervision of instruction	7,751,626	7,214,659	7,234,245	8,334,512	9,194,511
Instructional library, media and Technology	6,171,559	5,096,605	4,922,859	5,552,646	7,907,980
School site administration	17,534,427	18,326,562	19,457,858	20,473,846	21,624,636
Pupil Services					
Home-to-school transportation	4,089,568	4,299,518	4,316,728	5,079,950	5,998,426
Food services	0	5,483	338	658	1,830
All other pupil services	13,692,391	15,185,866	17,278,398	17,920,773	18,924,620
General Administration					
Data processing	745,397	562,108	635,939	761,704	574,195
All other administration	8,954,249	9,569,959	11,157,614	11,943,891	12,408,481
Plant Services	21,467,442	21,553,494	22,461,729	22,689,649	24,168,774
Facility Acquisition and Construction	2,473,519	5,951,570	3,153,078	3,723,092	1,730,433
Ancillary Services	3,316,543	3,592,930	3,589,009	3,690,508	4,427,126
Community Services	808,142	1,100,873	1,028,023	1,057,102	1,054,638
Other Outgo	4,602,984	4,696,505	4,842,144	4,964,407	4,740,171
Enterprise Services	1,270,808	1,213,242	1,353,251	1,567,539	1,804,514
Debt Service					
Principal	37,366	33,000	242,493	203,703	205,004
Interest and other	3,295	7,662	4,070	2,677	1,376
TOTAL EXPENDITURES	$256,293,286	$261,676,421	274,483,548	$286,909,834	$305,762,806
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,436,295)	24,670,696	9,380,088	3,815,281	10,743,933
NET FINANCING SOURCES (USES)	(269,585)	574,499	(98,232)	(62,371)	(109,554)
NET CHANGE IN FUND BALANCE	$(12,705,880)[(2)]	$ 25,245,195	$ 9,281,856	$ 3,752,910	$10,634,379
BEGINNING FUND BALANCE	$ 60,347,808	$ 47,641,928	$72,887,123	$82,168,979	$85,921,889
ENDING FUND BALANCE	$ 47,641,928[(2)]	$ 72,887,123[(3)]	$82,168,979	$85,921,889	$96,556,268

[(1)] Totals may not add due to rounding.
[(2)] In fiscal year 2014-15, the District negotiated a compensation package equivalent to 4% on schedule and 1% off schedule salary increases.
[(3)] In 2015-16, the LCFF gap funding percentage was 51.52%, significantly higher than years prior.
Source: The District

Adopted Budget

The following table describes the District's General Fund Adopted Budgets for the fiscal years 2015-16 through 2019-20.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
2015-16 through 2019-20 General Fund Adopted Budgets[(1)(2)]

	2015-16 Adopted Budget	2016-17 Adopted Budget	2017-18 Adopted Budget	2018-19 Adopted Budget	2019-20 Adopted Budget
BEGINNING FUND BALANCE	$ 42,701,519	$ 67,002,770	$ 77,359,294	$ 79,478,475	$ 88,042,537
REVENUES					
LCFF Sources	$225,485,958	$230,907,349	$231,795,779	$241,507,010	$249,944,552
Federal Revenues	12,191,326	11,417,921	11,847,571	12,514,225	11,991,433
Other State Revenues	26,167,228	17,004,123	9,840,747	8,696,828	21,349,927
Other Local Revenues	11,001,323	11,385,712	12,739,901	12,450,369	13,089,854
Total Revenues	$274,845,835	$270,715,105	$266,223,998	$275,168,432	$296,375,766
EXPENDITURES					
Certificated Salaries	$130,221,973	$131,291,737	$132,960,080	$137,763,634	$137,903,880
Classified Salaries	36,035,741	36,665,015	38,482,554	41,547,702	41,907,298
Employee Benefits	43,038,202	47,258,202	51,212,111	57,047,455	73,239,738
Books and Supplies	11,148,553	22,418,965	19,847,981	21,516,015	21,711,233
Services and Operating Expenditures	27,958,028	27,101,976	26,030,546	27,157,409	31,656,174
Capital Outlay	3,399,924	4,117,211	4,455,542	2,539,054	2,548,620
Other Transfers	5,332,662	5,005,065	4,649,835	5,110,711	4,918,359
Direct Support/Indirect Costs	(413,717)	(301,504)	(231,165)	(456,216)	(482,779)
Total Expenditures	$256,721,366	$273,556,667	$277,407,484	$292,225,764	$313,402,523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$18,124,469	$(2,841,562)	$(11,183,486)	$(17,057,332)	$(17,026,757)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	300,000	300,000	300,000	300,000	300,000
Other Sources (Uses)	-	-	-	-	-
Contributions	-	-	-	-	-
Total Other Sources (Uses)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)
NET INCREASE (DECREASE) IN FUND BALANCE	17,824,469	(3,141,562)	(11,483,486)	(17,357,332)	(17,326,757)
ENDING FUND BALANCE	$ 60,525,988	$ 63,861,208	$ 65,875,808	$ 62,121,143	$ 70,715,780

(1) Totals may not add due to rounding.
(2) Adopted Budgets are based on Estimated Actuals of the prior year.
Source: The District.

Impact to District Operations and Budget Due to Coronavirus Pandemic

The recent outbreak of the novel strain of coronavirus called COVID-19 has and continues to impact the operations of federal, state, and local governments, as these entities join in the widespread effort to slow the transmission of the virus. Health officials and experts are recommending, and some governments and officials are mandating, a variety of responses ranging from travel bans and social distancing practices, to complete shutdowns of certain services and facilities. On March 4, 2020, the Governor proclaimed a State of Emergency to make additional resources available, formalize emergency actions already underway, and help the State prepare for broader spread of COVID-19.

This situation, and the guidance from federal, State, and local officials in response to the outbreak, is rapidly developing, and although the Bonds are payable solely from *ad valorem* property taxes and not payable from the general fund of the District, the District cannot predict what future impacts the outbreak may have on its operations and budget. The District cannot predict costs associated with a potential infectious disease outbreak such as operational costs to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease, or costs to hire substitute certificated or classified employees. The District also cannot predict what impact the coronavirus outbreak, or responses by federal, State or local governments thereto, might have on the District's ADA, which is chief among the factors that determine the amount of funding the District receives from the State for operational costs. Under existing law, in the event the District experiences ADA loss, the District may apply for a State waiver, known as a J-13A waiver, to minimize the fiscal impact of ADA loss due to emergency, however no representation can be made that such an application would be granted.

Notwithstanding the impacts COVID-19 may have on the global and national economy, the economy in the State and the District, or on the District's revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

On March 13, 2020, the Governor issued Executive Order N-26-20 (the "Order"), providing that school districts that initiate a school closure to address COVID-19 shall continue to receive State funding to support all of the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in non-congregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. The Order also provides that statutory mandated maintenance of schools for a minimum of 175 days is waived for school districts that initiate a school closure to address COVID-19. The Order provides that school districts will not lose funding due to Coronavirus related closures by limiting the ADA reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed ADA period applies to school districts that comply with the Order. The Order waives any State or local law that might be interpreted to prohibit a school district from offering distance learning or independent study. In particular, the Order provides that a school closure to address COVID-19 shall qualify as a condition that prevents the maintenance of the affected schools during a fiscal year for at least 175 days pursuant to California Education Code Section 41422. The Order also requires that by March 17, 2020, the California Department of Education and the Health and Human Services Agency jointly develop and issue guidance which shall include implementing distance learning strategies and addressing equity and access issues that may arise due to differential access to Internet connectivity and technology; ensuring students with disabilities receive a free and appropriate public education consistent with their individualized education program and meeting other procedural requirements under the Individuals with Disabilities Education Act and California law; and requires that the State Labor and Workforce Development Agency and the Health and Human Services jointly develop and issue guidance by March 17, 2020 covering how to support parents to care for their children during ordinary school hours in the event of a school closure.

On March 16, 2020, and at the request of the Governor, the California Legislature presented two bills to the Governor for his signature addressing economic impacts to public school districts resulting from the outbreak, including school closures implemented by school districts in order to slow the spread of the outbreak. On March 17, 2020, both bills, Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117") were signed by the Governor. Each bill takes effect immediately.

SB 89 amends the Budget Act of 2019 by appropriating $500,000,000 from the State General Fund for any purpose related to the Governor's March 4, 2020 Emergency Proclamation. The second bill, SB 117, addresses economic impacts to school districts directly. Among other things, SB 117 provides that, for all school districts that comply with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, will be reported for apportionment purposes. SB 117 will also hold harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak. SB 117 will also hold harmless grantees operating After School Education and Safety Programs that are prevented from operating such programs due to COVID-19, and credit such Program grantees with the ADA that the grantee would have received had it been able to operate but for COVID-19.

On March 16, 2020, the Governor remarked that residents of the State should prepare for most schools to be closed for the remainder of the 2019-20 school year. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services.

In its own response to COVID-19, and out of concern for the health and safety of its students, staff, and community, the District's Board made the decision to close all District schools beginning March 16, 2020 until May 1, 2020, unless conditions call for an extension.

Retirement System

STRS. The District participates in the State of California Teachers Retirement System ("STRS") which provides retirement benefits to certificated personnel. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

Prior to fiscal year 2014-15, unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed legislation to increase contribution rates.

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Prior to July 1, 2014, K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed Assembly Bill 1469 ("A.B. 1469") into law as a part of the 2014-15 State Budget. A.B. 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Beginning July 1, 2014, the employee contribution rates increased over a three-year period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.15%	8.15%
July 1, 2015	9.20	8.56
July 1, 2016	10.25	9.21

Source: STRS and California Assembly Bill 1469

Pursuant to A.B. 1469, K-14 school district contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

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

Effective Date	K-14 School District Employer Contributions
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: STRS and California Assembly Bill 1469

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

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

The District's employer contributions to STRS for Fiscal Years ended June 30, 2016 through June 30, 2019 (together with the projection for Fiscal Year ended June 30, 2020) are set forth in the table below, and equal 100 percent of the required contributions for each year. See APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019 for additional information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
STRS CONTRIBUTIONS

Fiscal Years Ended June 30	District Employer Contributions
2016	$21,637,189
2017	27,357,891
2018	30,124,010
2019	34,042,276
2020(1)	36,631,651

(1) Projected.
Source: The District

PERS. The District also participates in the State Public Employees' Retirement System ("PERS"). The District's employer contribution to PERS for Fiscal Years ended June 30, 2016 through June 30, 2019 (together with the projection for Fiscal Year ended June 30, 2019) are set forth in the table below, and equal 100 percent of the required contributions for each year. See APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019 for additional information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT
PERS CONTRIBUTIONS

Fiscal Years Ended June 30	District Employer Contributions
2016	$4,102,256
2017	5,104,744
2018	6,010,202
2019	7,237,863
2020(1)	8,579,219

(1) Projected.
Source: The District

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers.

Both PERS and STRS are operated on a Statewide basis and, based on available information, both PERS and STRS have unfunded actuarial accrued liabilities. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. See "State Pension Trusts" below. The District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the District may be required to make.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "Reform Act") into law on September 12, 2012. The Reform Act affects both STRS and PERS, most substantially as they relate to new employees hired after January 1, 2013 (the "Implementation Date"). As it pertains to STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2% "age factor" (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. 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 also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to PERS and STRS including the following: (a) all new participants enrolled in PERS and STRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) STRS and PERS are both required 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 (c) "pensionable compensation" is capped 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 STRS and PERS members not participating in social security.

On April 17, 2013 the PERS Board of Administration (the "PERS Board") approved new actuarial policies aimed to fully fund the pension system's obligations within 30 years. The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. PERS announced that, based on investment return simulations performed for the next 30 years, increasing contributions more rapidly in the short term is expected to result in almost a 25 percent improvement in funded status over a 30-year-period. The new amortization schedule will be used to set contribution rates for public agency employers in the State beginning in the 2015-16 fiscal year. This delay is intended to allow the impact of the changes to be built into the projection of employer contribution rates and afford employers with additional time to adjust to the changes.

In 2014, PERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014, the PERS Board adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS discount rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS discount rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS discount rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in Fiscal Year 2017-18, 7.25% in Fiscal Year 2018-19 and 7.00% in Fiscal Year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS discount rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act will also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans. The PERS Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these changes is the inclusion of mortality improvement to acknowledge the greater life expectancies among PERS membership and expected continued improvements.

Pursuant to the PERS Board's decision in February 2014, the new actuarial assumptions will be incorporated in the June 30, 2015 valuation for the schools portion of the PERS pool (the "School's Pool"). The increase in liability due to the new actuarial assumptions will be amortized over 20 years and phased in over 5 years in accordance with PERS Board policy, beginning with the contribution requirement for fiscal year 2016-17. The projected impact of the assumption change on the Schools Pool rate is estimated to be an increase of 1.6 percent of payroll in 2016-17 with approximate annual increases of 0.8 percent of payroll in each of the next 4 years with an estimated total increase of 4.8 percent of payroll by 2020-21.

In February 2018, the PERS Board voted to shorten the period over which PERS amortized actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain at a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contribution required to be made by employers may increase beginning in Fiscal Year 2020-21.

In February 2017, the STRS Board voted to adopt revised actuarial assumptions to reflect the increasing life expectancies of its members and the then-current economic trends. The revisions to the actuarial assumptions included changes to the generational mortality methodology that reflect prior improvements in life expectancies and more dynamic assessments of future life spans. In addition, the STRS Board determined to decrease the investment return assumption over a two-year period as follows: (i) a decrease from 7.50% to 7.25% for the June 30, 2016 actuarial valuation that was presented to the STRS Board on April 6, 2017 and (ii) a decrease from 7.25% to 7.00% for the June 30, 2017 actuarial valuation to be presented to the STRS Board at the April/May 2018 meeting. The changes reflect the less than 50% probability that the then-current return assumptions would be met over the long term. The STRS Board also decreased some of the economic-related assumptions to reflect continued trends. As a result, the wage-growth assumption was reduced to 3.50% from 3.75% while the price inflation factor was also reduced to 2.75% from 3.00%.

On April 17, 2019, the PERS Board established the employer contribution rate for Fiscal Year 2019-20 at 20.733%. On June 27, 2019, PERS informed school employers that the employer and employee pension contribution rates approved by the PERS Board on April 17, 2019 were modified by SB 90 and codified at California Government Code Section 20825.2. The employer contribution rate for Fiscal Year 2019-20 is 19.721%, representing a reduction of 1.012% in the employer contribution rate from the 20.733% adopted by the PERS Board on April 17, 2019. The employer contribution rate of 19.721% for Fiscal Year 2019-20 will be the first fiscal year that employer contributions are impacted by the new demographic assumptions adopted by the PERS Board in December 2017. The 19.721% contribution rate became effective with the first payroll period beginning July 2019.

In October 2019, PERS released the Schools Pools Actuarial Valuation as of June 30, 2018 (the "2018 Valuation"). Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employers hired prior to the Implementation Date, to those hired after such date, the employer contribution rate for 2020-21 is projected to be 22.8%, with annual increases thereafter, resulting in a projected 26.7% employer contribution rate for Fiscal Year 2026-27. The projected employer contribution rates reflect the additional $904 million contributed by the State in July 2020 pursuant to SB 90.

State Pension Trusts

The following information on the State Pension Trusts has been obtained from publicly available sources and has not been independently verified by the District, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District or the Underwriter. Furthermore, the summary data below should not be read as current or definitive, as recent losses on investments made by the retirement systems generally may have increased the unfunded actuarial accrued liabilities stated below.

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 PERS Schools Pool had an unfunded liability, based on the market value of assets, of approximately $27.2 billion as of June 30, 2018, and STRS had unfunded actuarial liabilities of approximately $107.2 billion as of June 30, 2018. The amount of unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

Recent investment losses in the STRS and PERS portfolios as a result of the general market downturn caused by the COVID-19 outbreak may result in increases in the District's required contributions in future years. The District cannot predict the level of such increases, if any.

STRS and PERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, P.O. Box 15275, Sacramento, California 95851-0275 and copies of the PERS annual financial report and actuarial valuations may be obtained from the PERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in these reports is not incorporated by reference in this Official Statement.

GASB Statement Nos. 67 and 68

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

For more information, See the fiscal year 2018-19 audited financial statements of the District included in Appendix C hereto.

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 other postemployment benefits ("OPEB") 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 ("GASB 45"). In June 2015, GASB issued Statement Nos. 74 and 75, respectively, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pension Plans and Pensions, respectively*. The objectives of these statements are to (i) improve the usefulness of information related to postemployment benefits other than pensions (other postemployment benefits or "OPEB") included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability and (ii) improve accounting and financial reporting by State and local governments for OPEB, respectively. GASB Statement No. 74 replaces Statements No. 43 and 57 and Statement No. 75 replaces GASB Statement No. 45.

The Medicare Premium Payment ("MPP") Program is a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or been receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis. The District's proportionate share of the net MPP Program OPEB liability of $1,695,996 was measured as of June 30, 2018 and was determined by an actuarial valuation as of October 28, 2019. See APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

The District's total OPEB liability of $40,426,221 for the District Plan was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date, pursuant to an Actuarial Study dated as of October 28, 2019.

Annual OPEB Cost and Net OPEB Obligation

The District's defined benefit OPEB Plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. See APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019 for additional information.

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan. The Governing Board has the authority to establish and amend the benefit terms as contained with the negotiated labor agreements. As of June 30, 2017, there were 2,410 plan participants total, with 304 of those plan participants being inactive employees or dependents receiving benefits, and the remaining 2,106 plan participants being active employees.

Long Term Obligations

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	Due Within One Year
General obligation bonds	$332,495,000	$ -	$13,510,000	$318,985,000	$ 9,875,000
Premium on issuance	27,987,403	-	1,724,864	26,262,539	-
2005 Certificates of Participation	6,280,000	-	1,155,000	5,125,000	1,205,000
2010 Refunding Certificates of Participation	3,780,000	-	1,200,000	2,580,000	1,265,000
Premium on issuance	63,801	-	63,801	-	-
Compensated absences	1,611,556	54,890	-	1,666,446	-
Capital leases	535,210	-	205,004	330,206	165,891
Claims liability	128,254	6,000	19,224	115,030	19,224
State apportionment repayment	187,500	-	187,500	-	-
Net other postemployment benefits (OPEB) liability	41,018,510	4,975,163	3,871,456	42,122,217	-
	$414,086,734	$5,036,053	$21,936,349	$397,186,438	$12,530,115

See "APPENDIX C" herein for more detailed information regarding the District's long-term obligations.

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase as of June 30, 2019, is summarized below:

	Equipment	Portables	Total
Balance, July 1, 2018	$511,637	$24,949	$536,586
Payments	(181,431)	(24,949)	(206,380)
Balance, June 30, 2019	$330,206	$ -	$330,206

The District may enter into additional lease obligations.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

State Budget Process

General. The District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. The District received approximately $274.8 million or 90.63% of its General Fund revenues from the State (comprised of LCFF (as defined herein) and other State Revenue), for Fiscal Year 2018-19. For Fiscal Year 2019-20, the District budgeted to receive approximately 90.47% or $276.1 million General Fund revenues from the State. Accordingly, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs under "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution). See "CONSTITUTIONAL AND STATUTORY INITIATIVES – Proposition 98" herein.

The State's Proposition 98 funding mandate normally commands about 45% of all State general fund revenues. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25," a final budget must be adopted by a simple majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. (Tax increases continue to require a two-thirds majority vote.) The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

Prior to the passage of Proposition 25, there were instances where the State Legislature failed to pass a budget in a timely fashion, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised. The District cannot predict the final outcome of State budget negotiations, 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.

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

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

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one Fiscal Year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriter, Bond Counsel and Disclosure Counsel nor the Owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

2019-20 State Budget. On June 27, 2019, Governor Newsom signed a final State budget for Fiscal Year 2019-20 (the "2019-20 State Budget") in the total amount of $214.8 billion, including $147.8 billion from the State General Fund. The 2019-20 State Budget projects that the State will end Fiscal Year 2018-19 with total reserves of $19.2 billion, of which $16.5 billion is in the Rainy Day Fund, $1.4 billion in the Special Fund for Economic Uncertainties, $900 million in the Safety Net Reserve, and approximately $380 million in the Public School System Stabilization Account. See APPENDIX A – "CONSTITUTIONAL AND STATUTORY INITIATIVES – *Proposition 2*" herein. The 2019-20 State Budget makes an additional payment of $9 billion over the four succeeding Fiscal Years to pay down unfunded pension liabilities, including $3 billion to CalPERS, $2.9 billion to CalSTRS on behalf of the State, and $3.15 billion to CalSTRS and CalPERS on behalf of schools. The 2019-20 State Budget also invests $4.5 billion to eliminate the so-called 'Wall of Debt' and reverses the debt deferral undertaken during the last recession.

With respect to K-12 education, the 2019-20 State Budget sets the minimum funding guarantee at $81.1 billion, including $55.9 billion from the State general fund, reflecting an increase of $2.7 billion from the prior-year level. For K-12 schools, the 2019-20 State Budget sets ongoing per-pupil spending at $11,993 and includes total funding of $103.4 billion ($58.8 billion General Fund and $44.6 billion other funds) for all K-12 education programs. For Fiscal Year 2019-20, the 2019-20 State Budget includes the constitutionally required deposit into the Public School System Stabilization Account of $376.5 million which does not initiate school district reserve caps (as the amount in the account is not equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee). The 2019-20 State Budget also provides $1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26 percent cost of living adjustment ("COLA"). Other significant features of the 2019-20 State Budget affecting K-12 schools include the following:

- ***Homeless Youth Education.*** The 2019-20 State Budget includes an increase of $500,000 one-time Proposition 98 General Fund for the San Diego Unified School District to support the education of homeless youth.

- ***Special Education.*** The 2019-20 State Budget includes $152.6 million to provide all Special Education Local Plan Areas with at least the Statewide target rate for base special education funding, approximately $557 per unit of average daily attendance, under the existing special education funding formula. The 2019-20 State Budget also includes $492.7 million for special education allocated based on the number of children ages 3 to 5 years with exception needs that the school district is serving.

- ***CalSTRS and CalPERS.*** The 2019-20 State Budget includes a $3.15 billion non-Proposition 98 General Fund payment on their behalf to CalSTRS and the CalPERS Schools Pool. Of this amount, an estimated $850 million will buy down the employer contribution rates in 2019-20 and 2020-21. This payment is expected to save employers $6.1 billion over the next three decades, with an estimated reduction in the out-year contribution rate to CalSTRS of 0.3 percentage points, and to the CalPERS Schools Pool of 0.1 to 0.3 percentage points.

- ***After School Programs.*** The 2019-20 State Budget includes $50 million ongoing Proposition 98 General Fund to provide an increase of approximately 8.3 percent to the per-pupil daily rate for After School Education and Safety Program (increasing this rate from $8.19 to $8.87 per day).

- ***Teacher Training and Resources.*** The 2019-20 State Budget includes $43.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals, comprised of $37.1 million for the Educator Workforce Investment Grants for teachers and paraprofessionals, and $6.7 million for the California Subject Matter Projects. The 2019-20 State Budget also includes $13.8 million ongoing Federal funds to establish the "21st Century California Leadership Academy," to provide professional learning opportunities for public K-12 administrators and school leaders.

- ***Teacher Recruitment.*** To recruit and retain qualified teachers in school districts with high rates of under-prepared teachers, the 2019-20 State Budget includes $89.8 million one-time non-Proposition 98 General Fund to provide up to 4,487 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.

- ***Kindergarten Programs.*** The 2019-20 State Budget includes $300 million one-time non-Proposition 98 General Fund to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

- ***Proposition 98 Settle-Up.*** The 2019-20 State Budget includes an increase of $686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through 2017-18.

- ***Classified School Employees Summer Assistance Program.*** The 2019-20 State Budget includes an increase of $36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program, which provides a State match for classified employee savings used to provide income during summer months.

2020-21 Governor's Proposed State Budget. On January 10, 2019, Governor Newsom released California's Proposed Fiscal Year 2020-21 State Budget (the "Proposed 2020-21 State Budget") which reflects $153 billion in new spending from the State's general fund and tackles issues including climate change, particularly wildfires, clean energy, and homelessness in California. The Proposed 2020-21 State Budget totals approximately $222 billion and includes more than $1 billion in funding for homeless families to access shelter and approximately $1 billion over four years to prevent, track and fight wildfires. The Proposed 2020-21 State Budget also adds approximately $2 billion to the "Rainy Day Fund" which is projected to grow to $18 billion by the end of Fiscal Year 2020-21 and calls for $12 billion over five years to respond to climate change, both through a resilience initiative that would protect vulnerable areas and a cap-and-trade program.

For K-12 schools and California Community Colleges ("CCCs"), the Proposition 98 funding for Fiscal Year 2020-21 is approximately $84 billion, which combines with more than $819 million in "settle-up" payments for prior fiscal years. The Proposed 2020-21 State Budget also proposes an increased investment of $3.8 billion in K-12 schools and CCCs, including an augmentation of approximately $1.2 billion in LCFF funding, approximately $900 million for educator recruitment and training, an increase of nearly $900 million for special education, and $300 million for expanded supports and services for the State's neediest schools, as further described below.

Significant features of the Proposed 2020-21 State Budget pertaining to K-12 education include:

- ***Recruitment.*** $900 million to expand and increase the preparedness of the State's public K-12 teacher and administrator workforce, including $350 million one-time Proposition 98 General Fund to augment the funding provided in the 2019 Budget Act for the Educator Workforce Investment Grants; $18 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence to bolster awareness of available services and supports for local educational agencies; $175 million one-time Proposition 98 General Fund to expand the Teacher Residency Program; $100 million one-time Proposition 98 General Fund for the California Teacher Credential Award Program; and $64.1 million one-time Proposition 98 General Fund to expand the California Classified School Employees Credentialing Program.

- ***Special Education.*** $900 million for special education, including a three-phase, multi-year process to improve special education finance, services, and student outcomes including a new special education base formula that uses a three-year rolling average of local educational agency ADA and a 15 percent increase in the Proposition 98 General Fund contribution to the base formula funding over the amount provided in the 2019 Budget.

- ***Community Schools.*** $300 million one-time Proposition 98 General Fund to establish Community School grants for local educational agencies supporting innovative community school models to provide resources to local educational agencies to implement programs aligned with the community school model.

- ***Opportunity Grants.*** $300 million one-time Proposition 98 General Fund to establish Opportunity Grants for the state's lowest-performing schools and school interest, and expand the capacity of the "California Collaborative for Educational Excellence" in its role within the statewide system of education support.

- ***Computer Science.*** $15 million one-time Proposition 98 General Fund for grants to local educational agencies to support the preparation of approximately 10,000 K-12 teachers to earn a supplementary authorization on their credential to teach computer science.

- ***School Nutrition.*** $60 million 98 General Fund to increase funding for school nutrition, plus $10 million Proposition 98 General Fund to provide training for school food service and $10 million non-Proposition 98 General Fund for Fiscal Year 2020-21 and $1.5 million annually thereafter for the California Department of Food and Agriculture to establish a Farm to School Grant Program to support California farmers and expand healthy food access by providing grants to schools.

- ***Kindergarten.*** $75 million Proposition 98 General Fund to expand the Inclusive Early Education Expansion Program to fund to local educational agencies to construct or modify preschool facilities to serve students with exceptional needs or severe disabilities.

- ***Local Property Tax Adjustments.*** An increase of $7.3 million Proposition 98 General Fund for K-12 school districts and county offices of education in Fiscal Year 2019-20 as a result of decreased offsetting property tax revenues, and a decrease of $1.1 billion in Fiscal Year 2020-21 as a result of increased offsetting property taxes.

- ***School District ADA.*** A decrease of $268.5 million Proposition 98 General Fund in Fiscal Year 2019-20 for school districts resulting from a decrease in projected ADA from the 2019 Budget Act, and a decrease of $175.1 million Proposition 98 General Fund in Fiscal Year 2020-21 for school districts resulting from a further projected decline in average daily attendance for Fiscal Year 2020-21.

- ***Cost-of-Living Adjustments.*** An increase of $122.4 million Proposition 98 General Fund to reflect a 2.29 percent COLA for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- ***County Offices of Education.*** An increase of $5.7 million Proposition 98 General Fund to reflect a 2.29 percent COLA and average daily attendance changes applicable to the LCFF.

- ***Supplemental Pension Payments.*** Local educational agencies will also continue to benefit from the $3.15 billion non-Proposition 98 General Fund payment made on their behalf by the State to the CalSTRS and CalPERS Schools Pool. An estimated $850 million is buying down the employer contribution rates in 2019-20 and 2020-21 and the remaining $2.3 billion is being paid toward long-term unfunded liabilities. Overall, these payments are expected to save schools $6.9 billion over the next three decades.

On March 24, 2020, the State Department of Finance (the "Department") released Budget Letter 20-08 which states that the Department anticipates a severe drop in economic activity in California as a result of the COVID-19 pandemic, which could negatively impact anticipated revenue levels in fiscal year 2019-20, and will certainly produce impacts in fiscal year 2020-21 and beyond. The Governor is expected to release the May Revision to the Proposed 2020-21 State Budget (the "May Revision") by May 14, 2020, and the final 2020-21 State Budget is projected to be adopted by the State Legislature by June 15, 2020, with Governor approval estimated to occur by June 30, 2020. While recent State budgets have been timely adopted, State budgets have not always been timely adopted and signed. The District cannot predict the adoption date of the final State budget nor the impact any delay may have on basic appropriations, District funding nor the effect on District budgets or operations.

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

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from State appropriations. Accordingly, the State's economic condition can affect the economic condition of California school districts.

Ad Valorem Property Taxes

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 State assessed property and locally assessed 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 voter-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 ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the Fiscal Year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a Fiscal Year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. 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 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.

The County levies and collects all property taxes for property falling within its taxing boundaries.

CONSTITUTIONAL AND STATUTORY INITIATIVES

Article XIIIA of the California Constitution. On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* property tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness and (as a result of a constitutional amendment approved by California voters on November 7, 2000) on bonded indebtedness for school, community college and county office of education facilities and equipment approved by 55 percent of the voters voting on the bond measure. See "Proposition 39" below. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-1976 tax bill under full 'cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation. This system results in widely varying amounts of tax on similarly situated properties based on differences in the taxpayer's date of acquisition of the property. On June 18, 1992, the United States Supreme Court issued a decision upholding the constitutionality of Article XIIIA (*Nordlinger v. Hahn*, 112 S. Ct. 2326, 120 L. Ed. 2d 1 (1992)).

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

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 one percent 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 two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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 during 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 paying the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and paying cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State's constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

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

The District's 2018-19 "appropriations limit" was $168,639,082 and the "appropriations limit" for 2019-20 is estimated to be $168,300,847 (as of June 30, 2019). Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, 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. Among other things, XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also 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 XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

Proposition 62. In 1986, California voters adopted Proposition 62, a statutory initiative which amended the California Government Code by the addition of Sections 53720-53730. Proposition 62 requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation. Provisions applying Proposition 62 retroactively from its effective date to 1985 are unlikely to be of any continuing importance; certain other restrictions were already contained in the Constitution.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in Santa Clara County Local Transportation Authority v. Guardino, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, Howard Jarvis Taxpayers Association v. City of La Habra, et al. ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 98. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (b) in general, a fixed percent of the State's General Fund (the "State General Fund") revenues ("Test 1"), (c) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (d) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 Fiscal Year, implementing Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In the fall of 1989, the Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIIB limit to K-14 districts.

The 2018-19 Budget revised the Proposition 98 minimum funding guarantees for both Fiscal Years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget set the Proposition 98 minimum funding guarantee for Fiscal Year 2016-17 at $71.6 billion, an increase of $252 million from the prior year. The 2018-19 Budget revised the minimum funding guarantee for Fiscal Year 2017-18 at $75.6 billion reflecting an increase of $1.1 billion from the prior year. As part of the 2017-18 increase, the State made an additional maintenance factor payment of $789 million, on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State spent at the calculated minimum guarantee.

Application of Proposition 98

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past Fiscal Years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of $1.3 billion during Fiscal Year 1990-91, $1.1 billion during Fiscal Year 1991-92, $1.3 billion during Fiscal Year 1992-93 and $787 million during Fiscal Year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling $1.760 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

In 1992, a lawsuit, California Teachers' Association et al. v. Gould, was filed, which challenged the validity of the off-budget loans. As part of the negotiations leading to the 1995-96 Budget Act, an agreement was reached to settle this case. The agreement provides that both the State and K-14 districts share in the repayment of prior years' emergency loans to schools. Of the total $1.76 billion in loans, the State will repay $935 million, while K-14 districts will repay $825 million. The State share of the repayment will be reflected as expenditures above the current Proposition 98 base calculation. The K-14 districts' share of the repayment will count as appropriations that count toward satisfying the Proposition 98 guarantee, and thus are treated as from "below" the current base. Repayments are spread over the eight-year period of 1994-95 through 2001-02 to mitigate any adverse fiscal impact. In April 1996, a court settlement was reached and $360 million in appropriations from the 1995-96 Fiscal Year was disbursed to districts in August 1996.

Proposition 39

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

Section 1(b)(3) of Article XIIIA has been added to except from the one percent *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55 percent of the voters, subject to the restrictions explained above.

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

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

Proposition 1A and Proposition 22

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting or diverting revenues to any other local government, including school and community college districts, or from temporarily shifting property taxes from cities, counties and special districts to K-14 schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment is to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as "ABX4 26." Because Proposition 22 reduced the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State has to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State are more directly dependent upon the State's general fund.

Redevelopment Agency Dissolution. 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 K-14 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 K-14 school districts and county offices of education, totaling $1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues. As a result of the dissolution of California redevelopment agencies and ABx1 26, the tax increment previously paid to redevelopment agencies shall first be used to pay pass-through payments to other taxing entities and second to pay the redevelopment agencies enforceable obligations; with the remaining revenue (if any) paid to the taxing entities by the County Auditor-Controller in the same proportion as other tax revenue.

Proposition 30 and Proposition 55

The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012 ballot resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates affect approximately 1 percent of California personal income tax filers and became effective in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimates that, as a result of Proposition 30, additional State tax revenues of about $6 billion annually from 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in Fiscal Years 2011–12, 2017–18, and 2018–19. These additional monies were available to fund programs in the 2012-13 State Budget and prevented certain "trigger cuts" included in the 2012-13 State Budget from going into effect. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Revenues generated by Proposition 30 accounted for an increase of approximately 14 percent over Fiscal Year 2011–12 in funding for schools and community colleges as set forth in the 2012–13 State Budget. Almost all of this increase was used to pay K–14 expenses from the previous year and reduce delays in certain State K–14 payments. Proposition 30 also provides for additional tax revenues aimed at balancing the State's budget through 2018–19, providing several billion dollars annually through Fiscal Year 2018–19 available for purposes including funding existing State programs, ending K–14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers could impact potential State revenue and complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated tax revenues could also create additional budget pressure in subsequent years.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was approved by State voters on November 8, 2016. Proposition 55 extends the increase to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through the year 2030. Tax revenues received under Proposition 55 are allocated as follows: 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

Proposition 2

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("Proposition 2") was approved by California voters on November 4, 2014. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State's Budget Stabilization Account (the "Stabilization Account") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the "Annual Stabilization Account Transfer"). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a "Supplemental Stabilization Account Transfer") are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal Year 2015-16 through Fiscal Year 2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a "budget emergency" (defined as an emergency within the meaning of Article XIIIB of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing Fiscal Year, at a level equal to the highest level of State spending within the three immediately preceding Fiscal Years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account are limited to the amount necessary to address the budget emergency, and no draw in any Fiscal Year may exceed 50% of the funds on deposit in the Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the "Public School System Stabilization Account") into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding Fiscal Year, (ii) the operative Proposition 98 formula for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the Fiscal Year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living. Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any Fiscal Year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account.

Proposition 51

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

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school 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 guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 1A, 2, 22, 26, 30, 39, 51, 55, 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.

APPENDIX B

FORMS OF BOND COUNSEL OPINIONS

Upon issuance and delivery of the 2020B Bonds, Norton Rose Fulbright US LLP, Bond Counsel, proposes to deliver its final approving opinion substantially in the following form:

April 29, 2020

Board of Education
Chino Valley Unified School District
5130 Riverside Drive
Chino, California 91710

Re: Chino Valley Unified School District (San Bernardino County, California) General Obligation Bonds, Election of 2016, Series 2020B (Federally Tax-Exempt)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Chino Valley Unified School District (the "District"), in connection with the issuance by the District of $258,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2016, Series 2020B (Federally Tax-Exempt) (the "2020B Bonds"). The 2020B Bonds are issued pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as amended, and the resolution adopted by the Board of Education of the District on February 6, 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 2020B Bonds, including the Resolution and the Tax Exemption Certificate of the District dated the date hereof (the "Tax Certificate"). 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 as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the 2020B 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 2020B Bond or the interest thereon 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 2020B 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 and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2020B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2020B Bonds, the Resolution and the Tax Certificate 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 or the marketability of the 2020B Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2020B Bonds and express no opinion with respect thereto.

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

1. The 2020B Bonds constitute valid and binding obligations of the District, payable as to principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

3. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and the Tax Certificate and in reliance upon the representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the 2020B Bonds, when the 2020B Bonds are delivered to and paid for by the initial purchasers thereof, interest on the 2020B Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof.

In our opinion, under existing law, interest on the 2020B Bonds is exempt from personal income taxes of the State of California.

We express no other opinion with respect to any other 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 2020B Bonds. Ownership of tax-exempt obligations such as the 2020B Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income tax credit, individual recipients of Social Security or Railroad Retirement benefits, 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.

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. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such 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.

Respectfully submitted,

Upon the issuance and delivery of the Refunding Bonds Federally Taxable, Norton Rose Fulbright US LLP, Bond Counsel, proposes to deliver its final approving opinion substantially in the following form:

April 29, 2020

Board of Education
Chino Valley Unified School District
5130 Riverside Drive,
Chino, California 91710

Re: Chino Valley Unified School District (San Bernardino County, California) 2020 General Obligation Refunding Bonds (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Chino Valley Unified School District (the "District"), in connection with the issuance by the District of $21,760,000 aggregate principal amount of its 2020 General Obligation Refunding Bonds (Federally Taxable) (the "Refunding Bonds"). The Refunding Bonds are issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53550 and 53580, respectively), and the resolution adopted by the Board of Education of the District on February 6, 2019 (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 Refunding Bonds, including the Resolution and a special report of Robert Thomas CPA, LLC (the "Report"). 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 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 pertaining to the Refunding Bonds may be changed and certain actions (including, without limitation, the defeasance of the Refunding Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel. We express no opinion as to the effect of any change to any document pertaining to the Refunding Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice 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 Refunding 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. We call attention to the fact that the rights and obligations under the Refunding 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 or the marketability of the Refunding Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Refunding Bonds and express no opinion with respect thereto.

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

1. The Refunding Bonds constitute valid and binding obligations of the District, payable as to principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

3. Under existing law, interest on the Refunding Bonds is exempt from personal income taxes of the State of California.

We express no other opinion with respect to any other 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 Refunding 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. Moreover, our opinions are not a guarantee of result and are not binding on the State of California; rather, such 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.

Respectfully submitted,

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APPENDIX C

AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Annual Financial Report
June 30, 2019

Chino Valley Unified School District

CHINO VALLEY
UNIFIED SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Chino Valley Unified School District
Chino, 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 Chino Valley Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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.

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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 Chino Valley Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 5 through 12, budgetary comparison schedule on page 75, schedule of changes in the District's total OPEB liability and related ratios on page 76, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 77, schedule of the District's proportionate share of the net pension liability on page 78, and the schedule of District contributions on page 79, 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 Chino Valley Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is 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 11, 2019, on our consideration of the Chino Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chino Valley Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chino Valley Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

This section of Chino Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information from 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

The Primary unit of the government is the Chino Valley Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds **-** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The Internal Service Fund is reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, and funds held for payment of non-obligatory debt. The District's fiduciary activities are reported in the *Fiduciary Statements of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $174,423,036 for the fiscal year ended June 30, 2019. Of this amount, $(184,779,955) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	$ 365,603,951	$ 415,284,643
Capital assets	468,279,323	420,337,755
Total Assets	**833,883,274**	**835,622,398**
Deferred Outflows of Resources	**103,233,017**	**108,978,215**
Liabilities		
Current liabilities	35,135,420	42,361,475
Long-term obligations	397,186,438	414,086,734
Aggregate net pension liability	304,060,491	294,862,520
Total Liabilities	**736,382,349**	**751,310,729**
Deferred Inflows of Resources	**26,310,906**	**29,198,310**
Net Position		
Net investment in capital assets	259,379,220	247,364,605
Restricted	99,823,771	99,956,558
Unrestricted	(184,779,955)	(183,229,589)
Total Net Position	**$ 174,423,036**	**$ 164,091,574**

The $(184,779,955) in unrestricted deficit net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 7,101,676	$ 12,913,173
Operating grants and contributions	47,758,468	48,928,195
Capital grants and contributions	82,318	53,398
General revenues:		
Federal and State aid not restricted	190,286,404	182,306,673
Property taxes	103,964,759	89,450,039
Other general revenues	15,741,609	15,328,714
Total Revenues	**364,935,234**	**348,980,192**
Expenses		
Instruction-related	251,858,064	239,618,572
Pupil services	36,959,355	33,896,474
Administration	13,867,123	13,599,776
Plant services	26,386,397	24,854,341
Other	25,532,833	25,283,301
Total Expenses	**354,603,772**	**337,252,464**
Change in Net Position	**$ 10,331,462**	**$ 11,727,728**

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $354,603,772. However, the amount that our taxpayers ultimately finance for these activities through local taxes was only $103,964,759 because the cost was paid by those who benefited from the programs ($7,101,676) or by other governments and organizations who subsidized certain programs with grants and contributions ($47,840,786). We paid for the remaining "public benefit" portion of our governmental activities with $206,028,013 in Federal and State funds, and with other revenues, like interest, and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction-related	$ 251,858,064	$ 239,618,572	$ 219,171,466	$ 203,001,905
Pupil services	36,959,355	33,896,474	25,223,202	21,813,369
Administration	13,867,123	13,599,776	12,008,154	12,425,727
Plant services	26,386,397	24,854,341	25,465,079	24,581,318
All other functions	25,532,833	25,283,301	17,793,409	13,535,379
Total	**$ 354,603,772**	**$ 337,252,464**	**$ 299,661,310**	**$ 275,357,698**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $335,988,699 (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	$ 85,921,889	$ 316,506,739	$ 305,872,360	$ 96,556,268
Building Fund	194,926,823	3,917,837	57,349,526	141,495,134
Capital Facilities Fund	57,543,177	7,016,541	4,329,807	60,229,911
Adult Education Fund	552,145	2,197,332	2,085,131	664,346
Child Development Fund	76,285	1,329,508	1,235,228	170,565
Cafeteria Fund	5,203,830	8,649,371	10,091,689	3,761,512
Deferred Maintenance Fund	223,248	2,803,535	1,239,756	1,787,027
County School Facilities Fund	4,177,142	82,319	49,560	4,209,901
Capital Project Fund for Blended Component Units	8,457	67,451	66,711	9,197
Bond Interest and Redemption Fund	29,979,671	25,152,833	28,030,006	27,102,498
Debt Service Fund for Blended Component Units	102	2,741,513	2,739,275	2,340
Total	**$ 378,612,769**	**$ 370,464,979**	**$ 413,089,049**	**$ 335,988,699**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $468,279,323 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $47,941,568 or 11.4 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in progress	$ 138,133,042	$ 84,952,529
Buildings and improvements	321,713,932	328,386,127
Equipment	8,432,349	6,999,099
Total	**$ 468,279,323**	**$ 420,337,755**

Future capital expenditure commitments include:

- HVAC Replacement: Don Lugo HS
- Modernization: Litel ES, Cattle ES, Oak Ridge ES, Country Springs ES, Rolling Ridge ES, and Ayala HS
- Reconstruction: Chino HS
- Science Classroom Upgrades: Ayala HS, Briggs ES, Magnolia JHS, and Ramona JHS
- Safety and Security Systems: Various Sites
- Playground Installation: Various Sites

Long-Term Obligations

At the end of this year, the District had $397,186,438 in long-term obligations outstanding versus $414,086,734 last year, a decrease of 4.08 percent. Long-term obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds - net (financed with property taxes)	$ 345,247,539	$ 360,482,403
Certificates of participation - net	7,705,000	10,123,301
Compensated absences	1,666,446	1,611,556
Capital leases	330,206	535,210
Net other postemployment benefits (OPEB) liability	42,122,217	41,018,510
Claims liability	115,030	128,254
State apportionment repayment	-	187,500
Total	**$ 397,186,438**	**$ 414,086,734**

The District's general obligation bond rating is "Aa2/AA-, by Moody's and S&P, respectively".

Other obligations include certificates of participation, compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits), and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

As of year-end, the District had $304,060,491 in net pension liability versus $294,862,520 last year, an increase of $9,197,971, or 3.1 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

- Lighting Replacement: Various Sites
- HVAC Replacement: Various Sites
- Keyless Access Systems: Various Sites
- Installation of Portable Classroom: Rhodes ES
- STEM classroom construction: Liberty ES and Woodcrest JHS
- Tennis Court Resurfacing: Various High School sites
- Playground Installation: Various Sites

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Services Department at Chino Valley Unified School District, 5130 Riverside Drive, Chino, California, 91710, or (909) 628-1201 ext. 1215.

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 345,796,377
Receivables	18,708,485
Prepaid expenses	804,270
Stores inventories	294,819
Capital assets	
Land and construction in progress	138,133,042
Capital assets being depreciated	586,559,071
Less: accumulated depreciation	(256,412,790)
Total Capital Assets	468,279,323
Total Assets	833,883,274
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	2,878,311
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	2,698,483
Deferred outflows of resources related to pensions	97,656,223
Total Deferred Outflows of Resources	103,233,017
LIABILITIES	
Accounts payable	28,460,289
Accrued interest payable	6,087,499
Unearned revenue	587,632
Long-term obligations:	
Current portion of long-term obligations other than pensions	12,530,115
Noncurrent portion of long-term obligations other than pensions	384,656,323
Total Long-Term Liabilities	397,186,438
Aggregate net pension liability	304,060,491
Total Liabilities	736,382,349
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	711,100
Deferred inflows of resources related to pensions	25,599,806
Total Deferred Inflows of Resources	26,310,906
NET POSITION	
Net investment in capital assets	259,379,220
Restricted for:	
Debt service	21,017,339
Capital projects	63,905,636
Educational programs	10,161,690
Other activities	4,739,106
Unrestricted	(184,779,955)
Total Net Position	$ 174,423,036

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 211,789,532	$ 62,196	$ 25,563,038	$ 82,318	$ (186,081,980)
Instruction-related activities:					
Supervision of instruction	9,447,788	4,136	4,849,526	-	(4,594,126)
Instructional library, media, and technology	8,056,101	11,295	761,754	-	(7,283,052)
School site administration	22,564,643	4,098	1,348,237	-	(21,212,308)
Pupil services:					
Home-to-school transportation	6,646,493	-	207,424	-	(6,439,069)
Food services	10,089,739	1,981,826	6,601,604	-	(1,506,309)
All other pupil services	20,223,123	59,862	2,885,437	-	(17,277,824)
Administration:					
Data processing	585,362	-	12,206	-	(573,156)
All other administration	13,281,761	106,205	1,740,558	-	(11,434,998)
Plant services	26,386,397	2,829	918,489	-	(25,465,079)
Ancillary services	4,501,143	2,128	72,935	-	(4,426,080)
Community services	1,067,283	30,098	29,738	-	(1,007,447)
Enterprise services	1,857,076	226,253	191,130	-	(1,439,693)
Interest on long-term obligations	13,367,160	-	-	-	(13,367,160)
Other outgo	4,740,171	4,610,750	2,576,392	-	2,446,971
Total Governmental Activities	$ 354,603,772	$ 7,101,676	$ 47,758,468	$ 82,318	(299,661,310)
General revenues and subventions:					
Property taxes, levied for general purposes					70,575,733
Property taxes, levied for debt service					31,105,259
Taxes levied for other specific purposes					2,283,767
Federal and State aid not restricted to specific purposes					190,286,404
Interest and investment earnings					5,594,124
Interagency revenues					113,419
Miscellaneous					10,034,066
Subtotal, General Revenues					309,992,772
Change in Net Position					10,331,462
Net Position - Beginning					164,091,574
Net Position - Ending					$ 174,423,036

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 98,251,372	$ 150,099,209	$ 60,137,645
Receivables	14,588,922	1,414,703	256,688
Due from other funds	1,012,102	42	-
Prepaid expenditures	270,094	534,176	-
Stores inventories	-	-	-
Total Assets	$ 114,122,490	$ 152,048,130	$ 60,394,333
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 17,264,466	$ 10,509,037	$ 127,377
Due to other funds	23,610	43,959	37,045
Unearned revenue	278,146	-	-
Total Liabilities	17,566,222	10,552,996	164,422
Fund Balances:			
Nonspendable	370,094	534,176	-
Restricted	10,161,690	140,960,958	60,229,911
Committed	-	-	-
Assigned	3,872,223	-	-
Unassigned	82,152,261	-	-
Total Fund Balances	96,556,268	141,495,134	60,229,911
Total Liabilities and Fund Balances	$ 114,122,490	$ 152,048,130	$ 60,394,333

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
$ 36,742,620	$ 345,230,846
2,444,512	18,704,825
23,568	1,035,712
-	804,270
294,819	294,819
$ 39,505,519	$ 366,070,472
$ 557,549	$ 28,458,429
931,098	1,035,712
309,486	587,632
1,798,133	30,081,773
295,769	1,200,039
35,610,741	246,963,300
1,787,027	1,787,027
13,849	3,886,072
-	82,152,261
37,707,386	335,988,699
$ 39,505,519	$ 366,070,472

CHINO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 335,988,699**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 724,692,113	
Accumulated depreciation is:	(256,412,790)	
Net Capital Assets		468,279,323
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		2,878,311
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	29,263,425	
Net change in proportionate share of net pension liability	19,043,989	
Differences between projected and actual earnings on pension plan investments	633,047	
Differences between expected and actual experience in the measurement of the total pension liability	5,763,173	
Changes of assumptions	42,952,589	
Total Deferred Outflows of Resources Related to Pensions		97,656,223
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(13,567,899)	
Differences between projected and actual earnings on pension plan investments	(8,736,339)	
Differences between expected and actual experience in the measurement of the total pension liability	(3,295,568)	
Total Deferred Inflows of Resources Related to Pensions		(25,599,806)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits comes due subsequent to the measurement date.		2,698,483

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2019

Deferred inflows of resources related to OPEB represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of changes of assumptions.		$ (711,100)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(304,060,491)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(6,087,499)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		452,301
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year-end consist of:		
General obligation bonds	$ 318,985,000	
Unamortized premium on general obligation bonds	26,262,539	
Certificates of participation	7,705,000	
Compensated absences (vacations)	1,666,446	
Capital leases payable	330,206	
Net other postemployment benefits (OPEB) liability	42,122,217	
Total Long-Term Obligations		(397,071,408)
Total Net Position - Governmental Activities		**$ 174,423,036**

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 247,229,949	$ -	$ -
Federal sources	12,007,743	-	-
Other State sources	40,221,325	13,152	-
Other local sources	17,047,722	3,904,685	7,016,541
Total Revenues	316,506,739	3,917,837	7,016,541
EXPENDITURES			
Current			
Instruction	191,006,091	-	-
Instruction-related activities:			
Supervision of instruction	9,194,511	-	-
Instructional library, media, and technology	7,907,980	-	-
School site administration	21,624,636	-	-
Pupil services:			
Home-to-school transportation	5,988,426	-	-
Food services	1,830	-	-
All other pupil services	18,924,620	-	-
Administration:			
Data processing	574,195	-	-
All other administration	12,408,481	-	98,844
Plant services	24,168,774	-	-
Ancillary services	4,427,126	-	-
Community services	1,054,638	-	-
Other outgo	4,740,171	-	72,732
Enterprise services	1,804,514	-	-
Facility acquisition and construction	1,730,433	57,348,488	3,989,643
Debt service			
Principal	205,004	-	-
Interest and other	1,376	1,038	-
Total Expenditures	305,762,806	57,349,526	4,161,219
Excess (Deficiency) of Revenues Over Expenditures	10,743,933	(53,431,689)	2,855,322
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(109,554)	-	(168,588)
Net Financing Sources (Uses)	(109,554)	-	(168,588)
NET CHANGE IN FUND BALANCES	10,634,379	(53,431,689)	2,686,734
Fund Balances - Beginning	85,921,889	194,926,823	57,543,177
Fund Balances - Ending	$ 96,556,268	$ 141,495,134	$ 60,229,911

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
$ 2,775,000	$ 250,004,949
7,268,003	19,275,746
2,749,621	42,984,098
29,953,096	57,922,044
42,745,720	370,186,837
1,959,257	192,965,348
46,284	9,240,795
-	7,907,980
310,275	21,934,911
-	5,988,426
9,953,116	9,954,946
140,875	19,065,495
-	574,195
480,603	12,987,928
217,893	24,386,667
-	4,427,126
-	1,054,638
-	4,812,903
225	1,804,739
1,659,547	64,728,111
15,865,000	16,070,004
14,904,281	14,906,695
45,537,356	412,810,907
(2,791,636)	(42,624,070)
278,142	278,142
-	(278,142)
278,142	-
(2,513,494)	(42,624,070)
40,220,880	378,612,769
$ 37,707,386	$ 335,988,699

CHINO VALLEY UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ (42,624,070)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	$ 63,842,299	
Depreciation	(15,900,731)	
Net Expense Adjustment		47,941,568
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) is measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $54,890.		(54,890)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(10,776,690)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(2,028,609)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	13,510,000	
Certificates of participation	2,355,000	
Capital lease obligations	205,004	
State apportionment repayment	187,500	
Combined Adjustment		16,257,504

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 1,788,165	
Amortization of deferred charges on refunding	(354,173)	
Combined Adjustment		$ 1,433,992
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the governmental fund statements is a result of accrued interest on general obligation bonds decreasing by $178,275.		178,275
An Internal Service Fund is used by the District's management to pay for claims related to the workers' compensation self-insurance activities. The net revenue of the Internal Service Fund is reported with governmental activities.		4,382
Change in Net Position of Governmental Activities		**$ 10,331,462**

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$	565,531
Receivables		3,660
Total Current Assets		569,191
LIABILITIES		
Current Liabilities		
Accounts payable		1,860
Current portion of claims liability		19,224
Total Current Liabilities		21,084
Noncurrent Liabilities		
Noncurrent portion of claims liability		95,806
NET POSITION		
Restricted	$	452,301

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
OPERATING EXPENSES	
Other operating costs	$ 6,000
NONOPERATING REVENUES	
Interest income	10,382
Change in Net Position	4,382
Total Net Position - Beginning	447,919
Total Net Position - Ending	$ 452,301

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
CASH FLOWS USED IN OPERATING ACTIVITIES	
Cash payments for claims	$ (20,098)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	10,382
Net Decrease in Cash and Cash Equivalents	(9,716)
Cash and Cash Equivalents - Beginning	575,247
Cash and Cash Equivalents - Ending	$ 565,531
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (6,000)
Changes in assets and liabilities:	
Receivables	(1,075)
Accounts payable	201
Claims liabilities	(13,224)
NET CASH USED FOR OPERATING ACTIVITIES	$ (20,098)

The accompanying notes are an integral part of these financial statements.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Community Facilities District Funds	Associated Student Body Funds	Total Agency Funds
ASSETS			
Deposits and investments	$ 21,102,441	$ 2,159,016	$ 23,261,457
Receivables	49,135	-	49,135
Stores inventories	-	79,183	79,183
Total Assets	$ 21,151,576	$ 2,238,199	$ 23,389,775
LIABILITIES			
Accounts payable	$ -	$ 25,961	$ 25,961
Due to student groups	-	2,212,238	2,212,238
Due to bondholders	21,151,576	-	21,151,576
Total Liabilities	$ 21,151,576	$ 2,238,199	$ 23,389,775

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Chino Valley Unified School District (the District) was unified on July 1, 1939 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates twenty K-6 elementary schools, two K-8 schools, five junior high schools, four high schools, a continuation high school, an adult education school, a community day school, a necessary small high school at California Boys Republic, and an independent study program.

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

Component Units

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

The Chino Valley Unified School District Capital Facilities Corporation (the Corporation), as represented by the 2005 Refunding Certificates of Participation, and the 2010 Refunding Certificates of Participation, is presented in the financial statements as the Debt Service Fund for Blended Component Units. The 2005 and 2010 Refunding Certificates of Participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. The Community Facilities Districts of the Chino Valley Unified School District (CFDs), as represented by the Community Facilities Districts No. 1 through 4 are presented in the financial statements in the Capital Project Fund for Blended Component Units and Agency Funds. Long-term obligations of the CFDs do not represent obligations of the District and thus would not be included in the government-wide financial statements. There are currently no outstanding long-term obligations related to the CFDs.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $2,586.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626) and *Governmental Code* Section 65995 et. seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

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

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation.

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has no enterprise funds. The District has the following proprietary funds:

Internal Service Fund Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a worker's compensation program for tail claims that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary Funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes related to the CFDs.

Basis of Accounting - Measurement Focus

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect of the District and for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities. Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The Statement of Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

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. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, five to 50 years; equipment, five to 15 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $99,823,771 of net position restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental columns of the Statement of Activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.

- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$ 345,796,377
Fiduciary funds	23,261,457
Total Deposits and Investments	$ 369,057,834

Deposits and investments as of June 30, 2019, consisted of the following:

Cash on hand and in banks	$ 4,824,821
Cash in revolving	100,950
Cash with fiscal agent	1,013,809
Investments	363,118,254
Total Deposits and Investments	$ 369,057,834

Policies and Practices

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

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

General Authorizations and Authorizations Under Debt Agreements

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Short-Term Investments			
U.S. Treasury Bills	1 year	None	$ 1,000,000
Money Market Mutual Funds	1 year	None	1,000,000
Commercial Paper	1 year	None	1,000,000
Banker's Acceptances	1 year	None	1,000,000
Certificates of Deposit	1 year	None	1,000,000
Repurchase Agreements	1 year	None	1,000,000
Guaranteed Investment Contracts	1 year	None	1,000,000
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Mid-Term Investments			
U.S Government and Agency Securities			1,000,000
Corporate Notes and Bonds	5 years	95%	1,000,000
Collateralized Mortgage Obligations	5 years	95%	1,000,000
Guaranteed Investment Contracts	5 years	95%	1,000,000
Corporate Bonds	5 years	95%	1,000,000
Long-Term Investments			
U.S. Treasury Notes and Bonds	15 years	30%	1,000,000
U.S. Agency Securities	15 years	30%	1,000,000
Collateralized Mortgage Obligations	15 years	30%	1,000,000
Guaranteed Investment Contracts	15 years	30%	1,000,000

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy (BP 3430) that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation and the actual rating as of year-end for each investment is provided by the following schedule that shows the distribution of the District's investment by type and maturity.

Investment Type	Reported Amount	Maturity Date/ Average Maturity in Days	Moody's Rating
County Pooled Investment Funds			
San Bernardino County Investment Pool	$ 342,562,444	424	Not rated
Money Market Funds			
First American Treasury Obligations Money Market Mutual Funds	2,340	17	Aaa-mf
Stocks			
iShares Floating Rate Bond Fund	1,967,426	-	Not rated
iShares JPMorgan USD Emerging Market Bond Fund	396,515	-	Not rated
iShares Short Maturity Bond Fund	662,091	-	Not rated
iShares Core U.S. Aggregate Bond ETF	1,286,093	-	Not rated
iShares Short Term Corporate Bond	2,751,412	-	Not rated
iShares Core U.S. Aggregate Bond	1,230,418	-	Not rated
iShares JP Morgan USD Emerging Markets Bond	260,567	-	Not rated
PIMCO Enhanced Short Maturity Active Fund	3,157,505	-	Not rated
SPDR Barclays Convertible Securities Fund	413,972	-	Not rated
Total Stocks	12,125,999		
Government Bonds			
U.S. Treasury Notes	249,968	11/30/2019	Aaa
U.S. Treasury Notes	249,640	12/31/2020	Aaa
U.S. Treasury Notes	253,356	3/31/2021	Aaa
U.S. Treasury Notes	252,427	12/31/2021	Aaa
U.S. Treasury Notes	259,226	5/15/2027	Aaa
U.S. Treasury Notes	251,562	7/31/2019	Aaa
U.S. Treasury Notes	253,763	2/15/2021	Aaa
U.S. Treasury Notes	257,531	1/15/2022	Aaa
U.S. Treasury Notes	252,895	6/30/2022	Aaa
U.S. Treasury Notes	254,115	3/15/2021	Aaa
U.S. Treasury Notes	264,455	1/31/2026	Aaa
Total Government Bonds	2,798,938		

Credit Risk, (Continued)

Investment Type	Reported Amount	Maturity Date/ Average Maturity in Days	Moody's Rating
Government Asset Backed/CMO Securities			
Federal Home Loan Mortgage Corporation Multiclass Mortgage Participation Certificates, Series 1508	$ 27	5/15/2023	Not rated
Federal National Mortgage Association Pool CI 888356	878	3/1/2022	Not rated
Total Government Asset Backed/CMO Securities	905		
Corporate Bonds			
Abbott Laboratories, Senior Unsecured	254,155	3/12/2022	A3
American Express Credit Corporation Medium Term Notes, Senior Unsecured	250,125	10/30/2019	A2
American International Group, Senior Unsecured	252,613	7/16/2019	Baa1
Amgen Inc., Senior Unsecured	250,190	5/1/2020	Baa1
Becton, Dickinson and Company, Senior Unsecured	213,097	6/6/2022	Ba1
Chevron Corporation, Senior Unsecured	250,335	6/24/2020	Aa2
Cisco Systems, Inc., Senior Unsecured	249,750	9/20/2021	A1
Constellation Brands, Inc., Senior Unsecured	252,533	5/9/2022	Baa3
CVS Health, Senior Unsecured	253,378	3/9/2020	Baa2
Express Scripts Holding, Senior Unsecured	204,916	2/25/2021	Baa2
Goldman Sachs Group, Inc., Senior Unsecured	252,041	4/25/2021	A3
Honeywell International Inc., Senior Unsecured	249,853	10/30/2019	A2
John Deere Capital Corp Corenotes, Medium Term Notes	101,984	3/12/2021	A2
John Deere Capital Corp Powernotes, Medium Term Notes	172,995	3/4/2021	A2
JPMorgan Chase & Co., Senior Unsecured	252,610	3/1/2021	A2
Morgan Stanley, Senior Unsecured	196,515	11/30/2019	A3
Oracle Corporation, Senior Unsecured	250,011	9/12/2021	A1
PNC Bank National Association, Pittsburgh PA Medium Term Notes	251,224	10/18/2019	A2
Southern Power Company, Senior Unsecured	250,067	6/1/2020	Baa1
Teva Pharmaceutical Finance IV, LLC, Backed Senior Unsecured	99,694	3/18/2020	Ba2
Verizon Communications Inc.	257,579	3/15/2022	Baaa1
Walgreens Boots Alliance, Inc., Senior Unsecured	255,938	11/18/2021	Baa2
Walt Disney Corporation Medium Term Notes	254,051	3/4/2022	A2
Wells Fargo & Company, Senior Unsecured	251,075	12/7/2020	A2
Xerox Corporation, Senior Unsecured	100,899	8/20/2020	Ba1
Total Corporate Bonds	5,627,628		
Total Investments	$ 363,118,254		

Investments Highly Sensitive to Interest Rate Fluctuations

The District's investments included mortgage-backed securities that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates. The District's investment portfolio includes mortgage-backed securities totaling $905 as of June 30, 2019.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of $5,285,331 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

The District's fair value measurements are as follows at June 30, 2019:

		Fair Value Measurements Using		
Investment Type	Reported Amount	Level 1 Inputs	Level 2 Inputs	Uncategorized
San Bernardino County Treasury Investment Pool	$ 342,562,444	$ -	$ -	$ 342,562,444
Money Market Funds	2,340	-	2,340	-
Stocks	12,125,999	-	12,125,999	-
Corporate Bonds	5,627,628	-	5,627,628	-
Government Bonds	2,798,938	2,798,938	-	-
Government Asset Backed/CMO Securities	905	-	905	-
Total	$ 363,118,254	$ 2,798,938	$ 17,756,872	$ 342,562,444

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds
Federal Government				
Categorical aid	$ 5,794,343	$ -	$ -	$ 1,644,602
State Government				
Categorical aid	3,568,287	-	-	750,535
Lottery	1,360,931	-	-	-
Special education	1,965,703	-	-	-
Local Government				
Interest	521,971	998,306	256,688	40,795
Other Local Sources	1,377,687	416,397	-	8,580
Total	$ 14,588,922	$ 1,414,703	$ 256,688	$ 2,444,512

	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government			
Categorical aid	$ -	$ 7,438,945	$ -
State Government			
Categorical aid	-	4,318,822	-
Lottery	-	1,360,931	-
Special education	-	1,965,703	-
Local Government			
Interest	2,702	1,820,462	49,135
Other Local Sources	958	1,803,622	-
Total	$ 3,660	$ 18,708,485	$ 49,135

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 66,407,129	$ -	$ -	$ 66,407,129
Construction in Progress	18,545,400	56,178,994	2,998,481	71,725,913
Total Capital Assets Not Being Depreciated	84,952,529	56,178,994	2,998,481	138,133,042
Capital Assets Being Depreciated:				
Land Improvements	110,696,576	2,681,072	-	113,377,648
Buildings and Improvements	436,727,587	5,287,592	-	442,015,179
Furniture and Equipment	28,473,122	2,693,122	-	31,166,244
Total Capital Assets Being Depreciated	575,897,285	10,661,786	-	586,559,071
Total Capital Assets	660,849,814	66,840,780	2,998,481	724,692,113
Less Accumulated Depreciation:				
Land Improvements	53,425,394	3,992,953	-	57,418,347
Buildings and Improvements	165,612,642	10,647,906	-	176,260,548
Furniture and Equipment	21,474,023	1,259,872	-	22,733,895
Total Accumulated Depreciation	240,512,059	15,900,731	-	256,412,790
Governmental Activities Capital Assets, Net	$ 420,337,755	$ 50,940,049	$ 2,998,481	$ 468,279,323

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

Governmental Activities	
Instruction	$ 14,310,659
Home-to-school transportation	477,022
All other pupil services	636,029
Plant services	477,021
Total Depreciation Expenses Governmental Activities	$ 15,900,731

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

	Due From				
Due To	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 43,959	$ 37,045	$ 931,098	$ 1,012,102
Building Fund	42	-	-	-	42
Non-Major Governmental Funds	23,568	-	-	-	23,568
Total	$ 23,610	$ 43,959	$ 37,045	$ 931,098	$ 1,035,712

The balance of $43,959 due to the General Fund from the Building Fund resulted from reimbursement of project costs.

The balance of $37,045 due to the General Fund from the Capital Facilities Fund resulted from administrative costs to be reimbursed.

A balance of $361,921 is due to the General Fund from the Adult Education Non-Major Governmental Fund for salaries, benefits, and other operating expenditures.

A balance of $233,627 is due to the General Fund from the Child Development Non-Major Governmental Fund for salaries, benefits, and other operating expenditures.

A balance of $335,550 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for salaries, benefits, and other operating expenditures.

A balance of $23,550 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for reimbursement of program costs.

The remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From		
Transfer To	General Fund	Capital FacilitiesFund	Total
Non-Major Governmental Funds	$ 109,554	$ 168,588	$ 278,142

The General Fund transferred to the Adult Education Non-Major Governmental Fund for operating contributions.	$ 109,554
The Capital Facilities Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service requirements.	168,588
Total	$ 278,142

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund
Salaries and benefits	$ 3,895,197	$ -	$ -	$ 99,476	$ -
LCFF apportionment	4,243,411	-	-	-	-
Supplies	1,906,862	-	8,433	78,490	-
Services	3,312,526	4,430	26,544	51,922	1,860
Capital outlay	783,059	10,504,275	92,400	320,611	-
Other vendor payables	3,123,411	332	-	7,050	-
Total	$ 17,264,466	$ 10,509,037	$ 127,377	$ 557,549	$ 1,860

	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	$ 3,994,673	$ -
LCFF apportionment	4,243,411	-
Supplies	1,993,785	-
Services	3,397,282	-
Capital outlay	11,700,345	-
Other vendor payables	3,130,793	25,961
Total	$ 28,460,289	$ 25,961

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
State categorical aid	$ 278,146	$ -	$ 278,146
Other local	-	309,486	309,486
Total	$ 278,146	$ 309,486	$ 587,632

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 332,495,000	$ -	$ 13,510,000	$ 318,985,000	$ 9,875,000
Premium on issuance	27,987,403	-	1,724,864	26,262,539	-
2005 Certificates of Participation	6,280,000	-	1,155,000	5,125,000	1,205,000
2010 Refunding Certificates of Participation	3,780,000	-	1,200,000	2,580,000	1,265,000
Premium on issuance	63,301	-	63,301	-	-
Compensated absences	1,611,556	54,890	-	1,666,446	-
Capital leases	535,210	-	205,004	330,206	165,891
Claims liability	128,254	6,000	19,224	115,030	19,224
State apportionment repayment	187,500	-	187,500	-	-
Net other postemployment benefits (OPEB) liability	41,018,510	4,975,163	3,871,456	42,122,217	-
	$ 414,086,734	$ 5,036,053	$ 21,936,349	$ 397,186,438	$ 12,530,115

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the Certificates of Participation are made by the Debt Service Fund for Blended Component Units with amounts transferred by the Capital Facilities Fund. The compensated absences will be paid by the fund for which the employee worked. Payments for the capital leases are made by the General Fund and the Capital Facilities Fund. Claims liabilities are paid by the Internal Service Fund. Net other postemployment benefits (OPEB) liability and the State apportionment repayment are paid by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Redeemed	Bonds Outstanding June 30, 2019
7/13/2011	8/1/2026	3.00-5.00%	$ 33,510,000	$ 23,580,000	$ 2,240,000	$ 21,340,000
9/27/2012	8/1/2027	2.75-5.00%	27,130,000	24,015,000	1,845,000	22,170,000
8/7/2014	8/1/2030	2.00-5.00%	22,425,000	22,345,000	20,000	22,325,000
5/11/2017	8/1/2055	2.00-5.00%	208,000,000	208,000,000	9,405,000	198,595,000
5/11/2017	8/1/2031	3.00-5.00%	54,555,000	54,555,000	-	54,555,000
				$ 332,495,000	$ 13,510,000	$ 318,985,000

2002 General Obligation Refunding Bonds, 2011 Series A

On July 13, 2011, the District issued the $33,510,000 of 2002 General Obligation Refunding Bonds, 2011 Series A. The bonds were issued to advance refund the 2002 General Obligation Bonds, Series A. The bonds were issued as current interest bonds and have a final maturity date of August 1, 2026, with interest rates from 3.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding on the 2002 General Obligation Refunding Bonds, 2011 Series A was $21,340,000 and unamortized premium on issuance and deferred charges on refunding were $1,462,299 and $1,308,497, respectively.

2002 General Obligation Refunding Bonds, 2012 Series A

On September 27, 2012, the Chino Valley Unified School District issued the $27,130,000 2002 General Obligation Refunding Bonds, 2012 Series A. The bonds were issued to advance refund the 2002 General Obligation Bonds, Series B. The bonds were issued as current interest bonds and have a final maturity date of August 1, 2027, with interest yields of 2.75 to 5.00 percent. As of June 30, 2019, the principal balance outstanding on the 2002 General Obligation Refunding Bonds, 2012 Series A was $22,170,000 and unamortized premium on issuance and deferred charges on refunding were $1,801,978 and $719,679, respectively.

2014 Refunding General Obligation Bonds

On August 7, 2014, the Chino Valley Unified School District issued 2014 General Obligation Refunding Bonds in the amount of $22,425,000. The bonds were issued to refund the 2002 General Obligation Bonds, Series C. The refunding bonds were issued as current interest bonds and have a final maturity date of August 1, 2030, with interest rates of 2.0 to 5.0 percent. As of June 30, 2019, the principal balance outstanding was $22,325,000 and unamortized premium on issuance and deferred charges on refunding were $2,559,659 and $850,135, respectively.

2016 General Obligation Bonds, Series 2017A

On May 11, 2017, the Chino Valley Unified School District issued 2016 General Obligation Bonds, Series 2017A in the amount of $208,000,000. The bonds were issued as current interest bonds and have a final maturity date of August 1, 2055, with interest rates from 2.00 to 5.00 percent. The net proceeds of $219,259,191 (representing the principal amount of $208,000,000 and premium of $12,537,925, less cost of issuance of $1,278,734) from the issuance were used to finance the construction, acquisition, furnishing, and equipping of District facilities and to pay the cost of issuing the bonds. At June 30, 2019, the principal balance outstanding on the 2016 General Obligation Bonds, Series 2017A was $198,595,000 and unamortized premium on issuance was $11,823,044.

2017 General Obligation Refunding Bonds

On May 11, 2017, the Chino Valley Unified School District issued 2017 General Obligation Refunding Bonds in the amount of $54,555,000. The bonds were issued as current interest bonds and have a final maturity date of August 1, 2031, with interest yields of 3.00 to 5.00 percent. The net proceeds of $64,395,133 (representing the principal amount of $54,555,000 and premium of $10,193,057, less cost of issuance of $352,924) were used to advance refund a portion of the District's 2002 General Obligation Bonds, Series D and to pay the costs of issuance associated with the refunding bonds. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2019, the principal balance outstanding on the 2017 General Obligation Refunding Bonds was $54,555,000 and unamortized premium on issuance was $8,615,559.

Debt Service Requirements to Maturity

The bonds mature through 2056 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 9,875,000	$ 14,143,331	$ 24,018,331
2021	11,360,000	13,686,581	25,046,581
2022	13,035,000	13,112,981	26,147,981
2023	6,505,000	12,647,481	19,152,481
2024	7,330,000	12,312,506	19,642,506
2025-2029	49,740,000	55,099,288	104,839,288
2030-2034	41,405,000	42,150,081	83,555,081
2035-2039	6,590,000	38,652,828	45,242,828
2040-2044	19,895,000	35,516,244	55,411,244
2045-2049	42,055,000	27,748,556	69,803,556
2050-2054	71,145,000	15,711,500	86,856,500
2055-2056	40,050,000	1,636,401	41,686,401
Total	$ 318,985,000	$ 282,417,778	$ 601,402,778

2005 Refunding Certificates of Participation, Series A

In August 2005, the Chino Unified School District Capital Facilities Corporation issued the 2005 Refunding Certificates of Participation, Series A, in the amount of $23,280,000, pursuant to a lease agreement between the Corporation and the District. Under the agreement, the District will lease certain District property to the Corporation and will lease the property back from the Corporation. The Certificates were issued to refinance the remaining certificates that were then outstanding and reduce overall borrowing costs. The Certificates originally had a final maturity to occur on September 1, 2026, with interest rates ranging from 2.60 to 4.62 percent. As of June 30, 2019, the principal balance outstanding was $5,125,000, and the remaining Certificates have a final maturity to occur on September 1, 2022.

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,205,000	$ 193,713	$ 1,398,713
2021	1,255,000	139,932	1,394,932
2022	1,305,000	85,532	1,390,532
2023	1,360,000	28,900	1,388,900
Total	$ 5,125,000	$ 448,077	$ 5,573,077

2010 Refunding Certificates of Participation, Series A

On June 8, 2010, the Chino Unified School District Capital Facilities Corporation issued the $12,235,000 2010 Refunding Certificates of Participation, Series A, pursuant to a lease agreement between the Corporation and the District. The bonds have a final maturity to occur September 1, 2020, with interest rates from 3.00 to 5.00 percent. At June 30, 2019, the principal balance outstanding on the 2010 Refunding Certificates of Participation, Series A, was $2,580,000.

The certificates mature through 2021 as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,265,000	$ 91,050	$ 1,356,050
2021	1,315,000	32,875	1,347,875
Total	$ 2,580,000	$ 123,925	$ 2,703,925

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $1,666,446.

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Equipment	Portables	Total
Balance, July 1, 2018	$ 511,637	$ 24,949	$ 536,586
Payments	(181,431)	(24,949)	(206,380)
Balance, June 30, 2019	$ 330,206	$ -	$ 330,206

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 165,891
2021	106,323
2022	44,636
2023	7,173
2024	6,183
Total	$ 330,206

Claims Liability

Prior to June 30, 1997, the District was self-insured against claims for workers' compensation injuries. Under the program, the District provided coverage for up to $250,000 for each workers' compensation claim. The liability remaining as of June 30, 2019, totaling $115,030, represents the remaining claims obligation as established from the open reserves identified by the third-party administrator.

State Apportionment Repayment

During the 2008-2009 audit of instructional minutes, the District was found to be out of compliance with the requirements of *Education Code* Section 46200, related to longer day, longer year incentive funding. As a result, the District was required to pay back $7,517,527 to the State. During the 2010-2011 fiscal year, however, the District finally reached an agreement with the State to repay $1,500,000 and offer additional minutes of instruction to students in the District for the 2010-2011 and 2011-2012 fiscal years. Payments for the $1,500,000 will be an offset to the District's revenue limit apportionment in equal installments for the fiscal years 2011-2012 through 2018-2019. At June 30, 2019, the outstanding apportionment repayment balance had been paid in full.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 40,426,221	$ 2,698,483	$ 711,100	$ 2,203,370
Medicare Premium Payment (MPP) Program	1,695,996	-	-	(174,761)
Total	$ 42,122,217	$ 2,698,483	$ 711,100	$ 2,028,609

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

At June 30, 2017, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	304
Active employees	2,106
	2,410

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Associated Chino Teachers (ACT), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ACT, CSEA, and the unrepresented groups. For the measurement period June 30, 2018, the District paid $2,912,285 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $40,426,221 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability for the June 30, 2018 measurement period was determined by applying updated procedures to the financial actuarial valuation as of June 30, 2017 and rolling forward the total OPEB liability to June 30, 2018. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	3.80	percent
Healthcare cost trend rates	4.00	percent for 2018

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 39,147,753
Service cost	3,476,822
Interest	1,498,341
Changes of assumptions or other inputs	(784,410)
Benefit payments	(2,912,285)
Net change in total OPEB liability	1,278,468
Balance at June 30, 2019	$ 40,426,221

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.8%)	$ 42,753,383
Current discount rate (3.8%)	40,426,221
1% increase (4.8%)	38,202,406

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 38,238,014
Current healthcare cost trend rate (4.0%)	40,426,221
1% increase (5.0%)	42,731,460

OPEB Expense 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 $2,303,370. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 2,698,483	$ -
Changes of assumptions	-	711,100
Total	$ 2,698,483	$ 711,100

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

The deferred inflow of resources related to changes of assumptions will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	$ (73,310)
2021	(73,310)
2022	(73,310)
2022	(73,310)
2023	(73,310)
Thereafter	(344,550)
	$ (711,100)

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $1,695,996 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 20, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.4431 percent, and 0.4447 percent, resulting in a net decrease in the proportionate share of 0.0016 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(174,761).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	$ 1,875,858
Current discount rate (3.87%)	1,695,996
1% increase (4.87%)	1,533,596

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,546,578
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,695,996
1% increase (4.7% Part A and 5.1% Part B)	1,856,694

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 100,000	$ -	$ -	$ 950	$ 100,950
Stores inventories	-	-	-	294,819	294,819
Prepaid expenditures	270,094	534,176	-	-	804,270
Total Nonspendable	370,094	534,176	-	295,769	1,200,039
Restricted					
Legally restricted programs	10,161,690	-	-	4,286,805	14,448,495
Capital projects	-	140,960,958	60,229,911	4,219,098	205,409,967
Debt services	-	-	-	27,104,838	27,104,838
Total Restricted	10,161,690	140,960,958	60,229,911	35,610,741	246,963,300
Committed					
Deferred maintenance program	-	-	-	1,787,027	1,787,027
Assigned					
Bus replacement	2,003,503	-	-	-	2,003,503
MOC and security vehicle replacement	896,804	-	-	-	896,804
Emergency supply kits	750,000	-	-	-	750,000
21st Century Innovation	185,000	-	-	-	185,000
Equity distribution	34,330	-	-	-	34,330
Child development program	-	-	-	13,849	13,849
Other	2,586	-	-	-	2,586
Total Assigned	3,872,223	-	-	13,849	3,886,072
Unassigned					
Remaining unassigned	82,152,261	-	-	-	82,152,261
Total	$ 96,556,268	$ 141,495,134	$ 60,229,911	$ 37,707,386	$ 335,988,699

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District participated in California Schools Risk Management (CSRM) for property and liability insurance coverage. Excess liability coverage is obtained through participation in Schools Excess Liability Fund (SELF) through CSRM. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019, the District participated in CSRM public entity risk pool for workers' compensation. The intent of CSRM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in CSRM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in CSRM. Each participant pays its workers' compensation premium based on its individual rate.

Prior to July 1, 1997, the District was self-insured for workers' compensation. Activity related to these claims is recorded in the internal service fund.

Employee Medical Benefits

Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

	Workers' Compensation
Liability Balance, July 1, 2017	$ 144,560
Claims and changes in estimates	4,893
Claims payments	(21,199)
Liability Balance, June 30, 2018	128,254
Claims and changes in estimates	6,000
Claims payments	(19,224)
Liability Balance, June 30, 2019	$ 115,030
Assets available to pay claims at June 30, 2019	$ 569,191

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 226,880,686	$ 76,173,830	$ 24,995,599	$ 26,671,765
CalPERS	77,179,805	21,482,393	604,207	13,368,350
Total	$ 304,060,491	$ 97,656,223	$ 25,599,806	$ 40,040,115

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $22,032,878.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 226,880,686
State's proportionate share of the net pension liability associated with the District	129,899,803
Total	$ 356,780,489

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.2469 percent and 0.2456 percent, resulting in a net increase in the proportionate share of 0.0013 percent.

For the year ended June 30, 2019, the District recognized pension expense of $26,671,765. In addition, the District recognized pension expense and revenue of $15,260,298 for support provided by the State. 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	$ 22,032,878	$ -
Net change in proportionate share of net pension liability	18,190,878	12,963,692
Differences between projected and actual earnings on pension plan investments	-	8,736,339
Differences between expected and actual experience in the measurement of the total pension liability	703,548	3,295,568
Changes of assumptions	35,246,526	-
Total	$ 76,173,830	$ 24,995,599

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,896,906
2021	(1,376,445)
2022	(7,329,450)
2023	(1,927,350)
Total	$ (8,736,339)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 6,268,624
2021	6,268,624
2022	6,268,626
2023	8,201,898
2024	10,766,770
Thereafter	107,150
Total	$ 37,881,692

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 332,353,655
Current discount rate (7.10%)	226,880,686
1% increase (8.10%)	139,433,359

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $7,230,547.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $77,179,805. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.2895 percent and 0.2837 percent, resulting in a net increase in the proportionate share of 0.0058 percent.

For the year ended June 30, 2019, the District recognized pension expense of $13,368,350. 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	$ 7,230,547	$ -
Net change in proportionate share of net pension liability	853,111	604,207
Differences between projected and actual earnings on pension plan investments	633,047	-
Differences between expected and actual experience in the measurement of the total pension liability	5,059,625	-
Changes of assumptions	7,706,063	-
Total	$ 21,482,393	$ 604,207

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,302,532
2021	550,630
2022	(1,764,568)
2023	(455,547)
Total	$ 633,047

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 5,367,857
2021	5,704,799
2022	1,941,936
Total	$ 13,014,592

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 112,370,105
Current discount rate (7.15%)	77,179,805
1% increase (8.15%)	47,984,413

Alternative Retirement Program

The District also contributes to the MedAmerica Financial Services, which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use MedAmerica Financial Services as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. During the year, the District's required and actual contributions amounted to $197,588, which was 3.75 percent of its current year covered payroll.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $11,988,942 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Construction Commitments

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

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Playground Resurfacing, Cattle ES	$ 63,477	7/5/2019
Gas Line Repairs, Ayala HS	7,969	7/26/2019
Telephone Cabling Utility Box Relocation, Walnut ES	16,000	7/26/2019
Parking Lot Expansion, Walnut ES	47,975	8/9/2019
Home Economics Hood & Exhaust Fan Replacement, Don Lugo HS	9,955	8/22/2019
Playground Installation, Marshall ES	42,476	8/29/2019
HVAC Retrofit, Borba ES	91,550	8/31/2019
HVAC Retrofit, Glenmeade ES	328,185	8/31/2019
HVAC Retrofit, Magnolia ES	540,000	8/31/2019
HVAC Retrofit, Newman ES	220,935	8/31/2019
School Renovation, El Rancho ES	39,615	9/5/2019
Path of Travel Entrance, Ayala HS	22,250	9/5/2019
Girls Softball Field Concrete Slab with Thickened Edge, Chino Hills HS	2,111	9/5/2019
Varsity Baseball Field Backstop/Netting, Chino Hills HS	1,669	9/5/2019
Playground Installation, Cortez ES	6,660	9/5/2019
Installation of Keyless Access System, Cal Aero Preserve Academy	15,877	9/19/2019
Safety & Security Fencing, Ayala HS	7,775	9/30/2019
Safety & Security Fencing, Cal Aero Preserve Academy	7,775	9/30/2019
Gym & Kitchen HVAC Upgrades, Ayala HS	1,420,277	10/30/2019
Lighting Replacements, Various Sites	1,367,606	12/31/2019
Lighting Replacement, Various Sites	15,449	12/31/2019
Science Lab, Magnolia JHS	2,065,234	12/31/2019
Science Lab, Ramona JHS	1,716,479	12/31/2019
Safety & Security System, Ayala HS	308,820	12/31/2019
Safety & Security System, Buena Vista HS	98,021	12/31/2019
Safety & Security System, Chino Hills HS	788,702	12/31/2019
Safety & Security System, Don Lugo HS	728,084	12/31/2019
HVAC Replacement, Don Lugo HS	105,028	12/31/2019
Modernization, Litel ES	3,812,209	3/30/2020
Modernization, Cattle ES	6,645,330	6/30/2020
Modernization, OakRidge ES	3,426,686	6/30/2020

Construction Commitments, (Continued)

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Science Lab, Ayala HS	$ 12,512,367	6/30/2020
Single Point of Entry, Chino Hills HS	12,600	6/30/2020
Science Lab, Briggs ES	1,698,450	12/31/2020
Safety & Security, Districtwide	2,876,886	6/30/2021
Modernization, Rolling Ridge ES	885,993	10/31/2021
Modernization, Country Springs ES	977,686	10/31/2021
Modernization, Townsend JHS	539,698	6/30/2022
Modernization, Canyon Hills JHS	459,650	6/30/2022
Modernization, Ayala HS	2,777,785	6/30/2022
Modernization, Eagle Canyon ES	262,976	6/30/2023
Modernization, Butterfield ES	504,185	6/30/2023
Modernization, Hidden Trails ES	504,185	6/30/2023
Reconstruction of Chino HS	4,338,946	6/30/2023
Total	$ 52,321,586	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the California Schools Risk Management (CSRM) public entity risk pool and the Baldy View Regional Occupational Program (BVROP) joint powers authority (JPA). The District pays an annual premium to the CSRM public entity risk pool for its property and liability and workers' compensation programs. Payments for the District's regional occupational program are paid to the BVROP JPA. The relationships between the District, the pool, and the JPA are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2019, the District made payments of $6,550,464 and $1,969,561 to CSRM and BVROP, respectively, for its property and liability and workers' compensation programs, and regional occupational program.

REQUIRED SUPPLEMENTARY INFORMATION

CHINO VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 241,507,010	$ 247,452,517	$ 247,229,949	$ (222,568)
Federal sources	12,514,225	11,901,429	12,007,743	106,314
Other State sources	8,696,828	27,399,817	40,221,325	12,821,508
Other local sources	12,450,369	15,315,227	17,047,722	1,732,495
Total Revenues [1]	275,168,432	302,068,990	316,506,739	14,437,749
EXPENDITURES				
Current				
Certificated salaries	137,763,634	137,537,861	137,385,298	152,563
Classified salaries	41,547,702	40,918,235	40,617,575	300,660
Employee benefits	57,047,455	68,005,726	78,910,058	(10,904,332)
Books and supplies	21,516,015	12,160,485	11,553,503	606,982
Services and operating expenditures	27,157,409	32,305,351	29,556,692	2,748,659
Other outgo	4,654,494	4,440,505	4,465,948	(25,443)
Capital outlay	2,539,054	4,277,643	3,273,732	1,003,911
Total Expenditures [1]	292,225,763	299,645,806	305,762,806	(6,117,000)
Excess (Deficiency) of Revenues Over Expenditures	(17,057,331)	2,423,184	10,743,933	8,320,749
Other Financing Sources (Uses)				
Transfers out	(300,000)	(300,000)	(109,554)	190,446
NET CHANGE IN FUND BALANCE	(17,357,331)	2,123,184	10,634,379	8,511,195
Fund Balance - Beginning	85,921,889	85,921,889	85,921,889	-
Fund Balance - Ending	$ 68,564,558	$ 88,045,073	$ 96,556,268	$ 8,511,195

[1] On behalf payments of $11,337,543 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts in addition, due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenue pertaining to this fund is included in the Actual (GAAP Basis) revenue, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 3,476,822	$ 3,383,768
Interest	1,498,341	1,312,398
Changes of assumptions	(784,410)	-
Benefit payments	(2,912,285)	(2,800,274)
Net change in total OPEB liability	1,278,468	1,895,892
Total OPEB liability - beginning	39,147,753	37,251,861
Total OPEB liability - ending	$ 40,426,221	$ 39,147,753
Covered payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.4431%	0.4447%
District's proportionate share of the net OPEB liability	$ 1,695,996	$ 1,870,757
District's covered payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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CHINO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.2469%	0.2456%
District's proportionate share of the net pension liability	$ 226,880,686	$ 227,145,260
State's proportionate share of the net pension liability associated with the District	129,899,803	134,377,217
Total	$ 356,780,489	$ 361,522,477
District's covered payroll	$ 131,156,875	$ 125,111,693
District's proportionate share of the net pension liability as a percentage of its covered payroll	173%	182%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.2895%	0.2837%
District's proportionate share of the net pension liability	$ 77,179,805	$ 67,717,260
District's covered payroll	$ 35,209,291	$ 36,721,558
District's proportionate share of the net pension liability as a percentage of its covered payroll	219%	184%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2017	2016	2015
0.2546%	0.2748%	0.2248%
$ 205,912,593	$ 185,032,265	$ 131,374,933
117,222,366	97,861,671	79,329,856
$ 323,134,959	$ 282,893,936	$ 210,704,789
$ 124,747,763	$ 127,565,405	$ 112,494,386
165%	145%	117%
70%	74%	77%
0.2881%	0.3052%	0.3041%
$ 56,899,797	$ 44,987,214	$ 34,517,526
$ 34,599,012	$ 28,966,451	$ 31,855,854
164%	155%	108%
74%	79%	83%

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 22,032,878	$ 18,925,937
Contributions in relation to the contractually required contribution	(22,032,878)	(18,925,937)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 135,337,088	$ 131,156,875
Contributions as a percentage of covered payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 7,230,547	$ 5,468,355
Contributions in relation to the contractually required contribution	(7,230,547)	(5,468,355)
Contribution deficiency (excess)	$ -	$ -
District's covered payroll	$ 40,031,818	$ 35,209,291
Contributions as a percentage of covered payroll	18.062%	15.531%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2017	2016	2015
$ 15,739,051	$ 13,385,435	$ 11,327,808
(15,739,051)	(13,385,435)	(11,327,808)
$ -	$ -	$ -
$ 125,111,693	$ 124,747,763	$ 127,565,405
12.58%	10.73%	8.88%
$ 5,099,890	$ 4,098,945	$ 3,409,641
(5,099,890)	(4,098,945)	(3,409,641)
$ -	$ -	$ -
$ 36,721,558	$ 34,599,012	$ 28,966,451
13.888%	11.847%	11.771%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2019, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual *	Excess
General Fund	$ 299,945,806	$ 305,872,360	$ 5,926,554

* On behalf payments of $11,337,543 relating to Senate Bill 90 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Change in Benefit Terms* –** There were no changes in benefit terms.

***Change of Assumptions* –** The discount rate changed from 3.5 percent in the 2017 actuarial valuation to 3.8 percent in the 2018 actuarial valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes of Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 4,956,978
School Improvement Funding for LEAs	84.010	15438	3,917
Title I, Part D, Local Delinquent Programs	84.010	14357	214,380
Title II, Part A, Supporting Effective Instruction	84.367	14341	993,859
Title III, English Learner Student Program	84.365	14346	311,850
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	12,344
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	77,392
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	168,285
Adult Education: Adult Basic Education & ELA	84.002A	14508	259,065
Adult Education: Adult Secondary Education	84.002	13978	50,050
Adult Education: English Literacy & Civics Education	84.002A	14109	219,716
Passed through West End Special Education Local Plan Area:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,465,050
Total U.S. Department of Education			11,732,886
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	496,598
Passed through CDE:			
Child Care Development Fund (CCDF) Cluster			
Federal Child Care, Center-based	93.575	15136	66,876
Federal Child Care, Center-based	93.596	13609	145,482
Total CCDF Cluster			212,358
Total U.S. Department of Health and Human Services			708,956

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through County San Bernardino Economic Development Agency:			
Workforce Innovation Act Youth Activities	17.259	10055	$ 306,946
Total U.S. Department of Labor			306,946
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Program Cluster			
National School Lunch Program	10.555	13396	4,537,393
Basic School Breakfast Program	10.553	13390	6,201
Especially Needy Breakfast Program	10.553	13526	937,611
Seamless Summer Feeding Program	10.553	13004	3,231
Commodities	10.555	13396	659,639
Subtotal - Child Nutrition Program Cluster			6,144,075
Child and Adult Care Food Program	10.558	13393	382,739
Total U.S. Department of Agriculture			6,526,814
Total Expenditures of Federal Awards			$ 19,275,602

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Chino Valley Unified School District was unified on July 1, 1939 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates twenty K-6 elementary schools, two K-8 schools, five junior high schools, four high schools, a continuation high school, an adult education school, a community day school, a necessary small high school at California Boys Republic and an independent study program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
James Na	President	2020
Irene Hernandez-Blair	Vice President	2020
Andrew Cruz	Clerk	2020
Christina Gagnier	Member	2022
Joe Schaffer	Member	2022

ADMINISTRATION

NAME	TITLE
Norm P. Enfield, Ed.D.	Superintendent
Sandra H. Chen	Associate Superintendent, Business Services
Gregory Stachura	Assistant Superintendent, Facilities, Planning, and Operations
Grace Park, Ed.D.	Associate Superintendent, Curriculum, Instruction, Innovation, and Support
Lea Fellows	Assistant Superintendent, Curriculum, Instruction, Innovation, and Support
Richard Rideout	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report 99491DD5	Annual Report 67A5472D
Regular ADA		
Transitional kindergarten through third	7,371.54	7,371.63
Fourth through sixth	5,991.40	5,987.22
Seventh and eighth	4,328.64	4,326.58
Ninth through twelfth	8,806.75	8,745.70
Total Regular ADA	26,498.33	26,431.13
Extended Year Special Education		
Transitional kindergarten through third	7.48	7.48
Fourth through sixth	7.52	7.52
Seventh and eighth	3.98	3.98
Ninth through twelfth	13.57	13.57
Total Extended Year Special Education	32.55	32.55
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.61	3.44
Fourth through sixth	5.56	4.99
Seventh and eighth	1.17	1.12
Ninth through twelfth	25.45	25.24
Total Special Education, Nonpublic, Nonsectarian Schools	35.79	34.79
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.33	0.33
Fourth through sixth	0.47	0.47
Seventh and eighth	0.10	0.15
Ninth through twelfth	2.56	2.88
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.46	3.83
Community Day School		
Seventh and eighth	1.97	3.18
Ninth through twelfth	10.34	10.88
Total Community Day School	12.31	14.06
Total ADA	26,582.44	26,516.36

See accompanying note to supplementary information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE 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	-	Complied
Grades 1 - 3	50,400				
Grade 1		53,036	180	-	Complied
Grade 2		53,036	180	-	Complied
Grade 3		53,036	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,778	180	-	Complied
Grade 5		54,778	180	-	Complied
Grade 6		54,778	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		56,314	180	-	Complied
Grade 8		56,314	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,638	180	-	Complied
Grade 10		65,638	180	-	Complied
Grade 11		65,638	180	-	Complied
Grade 12		65,638	180	-	Complied

See accompanying note to supplementary information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND [2]				
Revenues	$296,375,766	$316,506,689	$290,725,084	$283,863,614
Total Revenues and Other Sources	296,375,766	316,506,689	290,725,084	283,863,614
Expenditures	313,402,523	305,762,806	286,909,834	274,483,548
Other uses and transfers out	300,000	109,554	62,371	98,232
Total Expenditures and Other Uses	313,702,523	305,872,360	286,972,205	274,581,780
INCREASE (DECREASE) IN FUND BALANCE	$ (17,326,757)	$ 10,634,329	$ 3,752,879	$ 9,281,834
ENDING FUND BALANCE	$ 79,226,925	$ 96,553,682	$ 85,919,353	$ 82,166,474
AVAILABLE RESERVES [3]	$ 77,671,597	$ 82,152,261	$ 75,331,881	$ 70,526,949
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	24.76%	26.86%	26.25%	25.69%
LONG-TERM OBLIGATIONS	N/A	$397,186,438	$414,086,734	$421,930,209
K-12 AVERAGE DAILY ATTENDANCE AT P-2	26,218	26,582	27,117	26,902

The General Fund balance has increased by $14,387,208 over the past two years. However, the fiscal year 2019-2020 budget projects a decrease of $17,326,757 (17.9 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all three past years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have decreased by $24,743,771 over the past two years.

Average daily attendance has decreased by 320 over the past two years. An additional decline of 364 ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.

[2] General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Postemployment Benefits, as required by GASB Statement No. 54.

[3] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

See accompanying note to supplementary information.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	$ 210,239	$ 303,042	$ 2,832,728	$ 2,089,776
Receivables	880,021	147,679	1,379,924	13,123
Due from other funds	10	8	23,550	-
Stores inventories	-	-	294,819	-
Total Assets	$ 1,090,270	$ 450,729	$ 4,531,021	$ 2,102,899
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 64,003	$ 46,537	$ 124,473	$ 315,872
Due to other funds	361,921	233,627	335,550	-
Unearned revenue	-	-	309,486	-
Total Liabilities	425,924	280,164	769,509	315,872
Fund Balances:				
Nonspendable	-	-	295,769	-
Restricted	664,346	156,716	3,465,743	-
Committed	-	-	-	1,787,027
Assigned	-	13,849	-	-
Total Fund Balances	664,346	170,565	3,761,512	1,787,027
Total Liabilities and Fund Balances	$ 1,090,270	$ 450,729	$ 4,531,021	$ 2,102,899

See accompanying note to supplementary information.

County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ 4,186,136	$ 15,861	$ 27,102,498	$ 2,340	$ 36,742,620
23,765	-	-	-	2,444,512
-	-	-	-	23,568
-	-	-	-	294,819
$ 4,209,901	$ 15,861	$ 27,102,498	$ 2,340	$ 39,505,519
$ -	$ 6,664	$ -	$ -	$ 557,549
-	-	-	-	931,098
-	-	-	-	309,486
-	6,664	-	-	1,798,133
-	-	-	-	295,769
4,209,901	9,197	27,102,498	2,340	35,610,741
-	-	-	-	1,787,027
-	-	-	-	13,849
4,209,901	9,197	27,102,498	2,340	37,707,386
$ 4,209,901	$ 15,861	$ 27,102,498	$ 2,340	$ 39,505,519

CHINO VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Local Control Funding Formula	$ -	$ -	$ -	$ 2,775,000
Federal sources	528,831	595,097	6,144,075	-
Other State sources	1,512,689	686,992	404,089	-
Other local sources	46,258	47,419	2,101,207	28,535
Total Revenues	2,087,778	1,329,508	8,649,371	2,803,535
EXPENDITURES				
Current				
Instruction	1,303,558	655,699	-	-
Supervision of instruction	-	46,284	-	-
School site administration	310,275	-	-	-
Pupil services:				
Food services	-	366,529	9,586,587	-
All other pupil services	74,996	65,879	-	-
Administration:				
All other administration	53,440	51,292	375,871	-
Plant services	183,422	34,471	-	-
Enterprise services	-	225	-	-
Facility acquisition and construction	159,440	14,849	129,231	1,239,756
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	2,085,131	1,235,228	10,091,689	1,239,756
Excess (Deficiency) of Revenues Over Expenditures	2,647	94,280	(1,442,318)	1,563,779
Other Financing Sources				
Transfers in	109,554	-	-	-
NET CHANGE IN FUND BALANCES	112,201	94,280	(1,442,318)	1,563,779
Fund Balances - Beginning	552,145	76,285	5,203,830	223,248
Fund Balances - Ending	$ 664,346	$ 170,565	$ 3,761,512	$ 1,787,027

See accompanying note to supplementary information.

County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 2,775,000
-	-	-	-	7,268,003
-	-	145,851	-	2,749,621
82,319	67,451	25,006,982	2,572,925	29,953,096
82,319	67,451	25,152,833	2,572,925	42,745,720
-	-	-	-	1,959,257
-	-	-	-	46,284
-	-	-	-	310,275
-	-	-	-	9,953,116
-	-	-	-	140,875
-	-	-	-	480,603
-	-	-	-	217,893
-	-	-	-	225
49,560	66,711	-	-	1,659,547
-	-	13,510,000	2,355,000	15,865,000
-	-	14,520,006	384,275	14,904,281
49,560	66,711	28,030,006	2,739,275	45,537,356
32,759	740	(2,877,173)	(166,350)	(2,791,636)
-	-	-	168,588	278,142
32,759	740	(2,877,173)	2,238	(2,513,494)
4,177,142	8,457	29,979,671	102	40,220,880
$ 4,209,901	$ 9,197	$ 27,102,498	$ 2,340	$ 37,707,386

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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 District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that in the current period were recorded as revenues but were unspent. These unspent balances are reported as legally restricted ending fund balance.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 19,275,746
Medi-Cal Billing Option	93.778	(144)
Total Schedule of Expenditures of Federal Awards		$ 19,275,602

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

CPAs & BUSINESS ADVISORS

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

Governing Board
Chino Valley Unified School District
Chino, 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 Chino Valley Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Chino Valley Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chino Valley Unified 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 Chino Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Chino Valley Unified School District's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chino Valley Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we reported to management of Chino Valley Unified School District in a separate letter dated December 11, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

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

Governing Board
Chino Valley Unified School District
Chino, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the 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 Chino Valley Unified 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 Chino Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Chino Valley Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Chino Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Chino Valley Unified 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 Chino Valley Unified 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 Chino Valley Unified 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Chino Valley Unified School District
Chino, California

Report on State Compliance

We have audited Chino Valley Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Chino Valley Unified School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, 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 of each of the Chino Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards 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 material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Chino Valley Unified 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 opinions. Our audit does not provide a legal determination of Chino Valley Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Chino Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Chino Valley Unified School 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	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have a Middle or Early College High School; therefore, we did not perform any procedures related to the Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform any procedures related to the Independent Study – Course Based Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Programs or Cluster
10.553 and 10.555	Child Nutrition Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Management
Chino Valley Unified School District
Chino, California

In planning and performing our audit of the financial statements of Chino Valley Unified School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2019, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Magnolia Junior High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that three of five deposits tested contained cash collections that were not sent to the district office in a timely manner, resulting in late deposits. The delay in deposits was 10 to 134 days from the dates of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. Through inquiry with site personnel, it was noted that a site teacher had opened a bank account for student activities that was not preapproved by the District. Additionally, when the account was subsequently closed, the closing amount withdrawn from the club's bank account did not agree to the amount deposited into the primary ASB bank account. This appears to have been due to the club spending the withdrawn monies on various items prior to deposit in the primary ASB bank account.
3. Based on the review of the disbursement procedures, it was noted that one of six disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. Based on the review of the disbursement procedures, it was noted that one of six disbursements tested was determined to be unallowable for an ASB. The disbursement was identified as a monthly subscription fee for a music streaming application used during site assemblies. The music streaming application's Terms and Conditions restrict the use of the application for personal use.
5. Based on the review of the fundraising procedures, it was noted that one of two fund raising events tested was not preapproved by the ASB and/or the site administration. Additionally, this fundraiser did not contain documentation to indicate anticipated revenues and expenditures.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.
2. The site should adhere to District policies related to the opening or closing of any bank accounts. This includes approval by the District's governing board. Additionally, to ensure the proper and complete transfer of closed account balances, withdrawn monies should be deposited in their entirety when transferred to other bank accounts.
3. To ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. As the music streaming application's Terms and Conditions specifically prohibit use of the application for any purpose other than personal use, the site should cancel the subscription to the application.
5. Review and approval of fundraising events is an important control activity to prevent potentially unacceptable ASB activities. All fundraising events should be approved by either the ASB student council or site administrators prior to the event taking place to ensure that the activities related to fundraisers are appropriate and allowable. Additionally, anticipated revenues and expenditures should be documented for all fundraising events. This allows for an analysis of the fundraiser to be conducted, indicating to staff and students the success or failure of the completed fundraiser.

Chino High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that each of the four deposits tested contained cash collections that were not deposited in a timely manner. The delay in deposits was 10 to 53 days from the dates of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that three of 25 disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. Additionally, one disbursement contained items that were delivered to a home address. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.
3. Based on the review of the disbursement procedures, it was noted that 10 of 25 disbursements tested did not indicate approval dates on the associated purchase requisitions. As a result, preapproval of the disbursements could not be determined.
4. Based on the review of fundraiser revenue potential forms, it was noted that neither of the two tested revenue potential forms were complete. The revenue potential forms did not contain anticipated revenues and expenditures.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available and deliveries should only be made to the school site or District office.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases. All preapprovals should be indicated on documentation with appropriate signatures and approval dates.
4. The revenue potential form is a vital internal control tool; it should be used to document actual revenues, actual expenditures, anticipated revenues, and anticipated expenditures. This allows for an analysis of the fundraiser to be conducted, indicating to staff and students the success or failure of the completed fundraiser. The revenue potential form can also indicate weak control areas in the fundraising procedures at the site, including the occurrence of lost or stolen merchandise, problems with collecting all monies due, and so forth.

Chino Hills High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that club advisors are not consistently providing adequate supporting documentation for cash collections. Out of 19 closeout reports tested, one contained a receipt that was not supported by adequate documentation or a paper trail.
2. Based on the review of the cash deposit procedures, it was noted that none of the four tested deposits were reconciled to corresponding closeout reports. As a result, the completeness and timeliness of the deposits could not be verified.
3. Based on the review of the disbursement procedures, it was noted that three of 25 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. Based on the review of fundraiser revenue potential forms, it was noted that none of the three tested revenue potential forms were complete. The actual revenue and expenses were not documented on the forms after the associated fundraising events were completed.
5. Based on the review of ticketed events, it was noted that one of two tested ticket sales reports did not reconcile to the master ticket log. The ending ticket number documented on the ticket sales reports did not agree to the master ticket log.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. To ensure that deposits are made intact and inclusive of all associated receipts, each deposit should be accompanied by a corresponding closeout report. If a deposit is composed of multiple closeout reports, this should be indicated through a reconciliation of applicable closeouts to associated deposits.
3. To ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. The revenue potential form is a vital internal control tool; it should be used to document actual revenues, actual expenditures, anticipated revenues, and anticipated expenditures. This allows for an analysis of the fundraiser to be conducted, indicating to staff and students the success or failure of the completed fundraiser. The revenue potential form can also indicate weak control areas in the fundraising procedures at the site, including the occurrence of lost or stolen merchandise, problems with collecting all monies due, and so forth.
5. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role and should be updated after every event. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Don Antonio Lugo High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that club advisors and teachers are not consistently providing adequate supporting documentation for cash collections. Out of eight deposits tested, each contained various receipts that were not supported by adequate documentation or a paper trail. As a result, the completeness and timeliness of these deposits could not be verified.
2. Based on the review of the disbursement procedures, it was noted that two of 25 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

3. Based on the review of ticketed event procedures, it was noted that out of four ending ticket numbers selected from the ASB ticket control log, two could not be traced to physical ticket rolls.
4. Based on the review of student store procedures, it was noted that perpetual inventory records have not been maintained to track student store items.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. To ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log. Remaining tickets should be maintained to ensure that ending ticket numbers indicated on the log agree to physical ticket rolls.
4. It is recommended that the ASB maintain perpetual inventory records over student store items. Perpetual inventory documentation is essential to perform an analysis between the perpetual and physical inventory counts. An analysis of both counts will assist the student council in determining if items have been misplaced or stolen.

Ruben S. Ayala High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that each of the five deposits tested contained cash that was not deposited in a timely manner. The delay in deposits was 10 to 21 days from the dates of receipt. This could result in large cash balances being maintained at the sites, which can hinder the safeguarding of ASB assets.
2. Based on the review of the disbursement procedures, it was noted that two of 25 disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.
3. Based on the review of the disbursement procedures, it was noted that one of 25 disbursements tested did not have three required signatures of approval.

4. Revenue potential forms are not being consistently used to document and control fund-raising activities as they occur. Out of two fundraisers tested, one did not contain a revenue potential form.
5. Based on the review of fundraiser revenue potential forms, it was noted that the tested revenue potential form was not completed properly. Two different amounts were reported as actual revenues on the revenue potential form, neither of which were supported by receipts, logs, tally sheets, or similar documentation.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursements are authorized by three individuals (ASB advisor, student body representative, and an administrator). This would allow the reviewing administrator and/or the student council to determine if the payment being made is appropriate and to determine if sufficient funding is available to finance the payment.
4. The revenue potential form is a vital internal control tool; it should be used to document actual revenues, actual expenditures, anticipated revenues, and anticipated expenditures. This allows for an analysis of the fundraiser to be conducted, indicating to staff and students the success or failure of the completed fundraiser. The revenue potential form can also indicate weak control areas in the fundraising procedures at the site, including the occurrence of lost or stolen merchandise, problems with collecting all monies due, and so forth.
5. ASB personnel should ensure that all revenue potential forms contain supporting documentation and that the revenue amount indicated on the form agrees to the amount indicated on supporting documentation.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

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APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "Disclosure Undertaking") is executed and delivered by Chino Valley Unified School District (the "District") as of April 29, 2020 in connection with the execution and delivery of its General Obligation Bonds, Election of 2016, Series 2020B (Federally Tax-Exempt) (the "New Money Bonds") and 2020 General Obligation Refunding Bonds (Federally Taxable) (the "Refunding Bonds" and, together with the New Money Bonds, the "Bonds"). The Bonds are being issued pursuant to two separate Resolutions, a New Money Bonds Resolution and a Refunding Bonds Resolution, each adopted by the Board of Education of the District on February 6, 2020 (together, the "Resolutions"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the respective Resolutions.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Stifel, Nicolaus & Company, Incorporated (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 Undertaking.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" shall mean the District, or, any alternate or successor dissemination agent, designated in writing by the Superintendent or Assistant Superintendent of Business Services (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a success or alternate Dissemination Agent, the Dissemination Agent shall be Koppel & Gruber Public Finance.

"Financial Obligation" as used in this Disclosure Undertaking is defined in the Rule as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a 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 Undertaking.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at http://emma.msrb.org, or any other entity designated or authorized by the Commission.

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 April 7, 2020.

SECTION 4. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if other than the District), not later than 240 days after the end of the District's fiscal year (currently ending June 30), commencing on or prior to February 25, 2021 with the report for the fiscal year ending June 30, 2020, to provide to the MSRB, in a format prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Undertaking. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access system. Information regarding requirement for submissions to EMMA is available at http://emma.msrb.org.

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 Undertaking; 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. If the District does not have audited financial statements available when it submits the relevant Annual Report, it shall submit unaudited financial statements, as described in Section 5(a) below.

(b) Not later than 15 Business Days prior to the filing date required in paragraph (a) above for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent (if other than the District) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to the MSRB.

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) State funding received by the District for the last completed fiscal year;

(ii) enrollment of the District for the last completed fiscal year;

(iii) outstanding District indebtedness, as of the last completed fiscal year;

(iv) assessed valuation of taxable property within the District for the current fiscal year;

(v) largest local secured taxpayers within the District for the current fiscal year; and

(vi) the District's adopted budget for the current fiscal year.

(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 the MSRB or to the 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 Designated Listed Events.

(a) The District agrees to provide or cause to be provided to 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 credit or liquidity providers, or their failure to perform;

(v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender offers;

(vii) Defeasances;

(viii) Rating changes; or

(ix) Bankruptcy, insolvency, receivership or similar event of the District.

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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, other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications to rights of Owners;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds, if applicable;

(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; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

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

(c) If the District determines that the occurrence of a Listed Event described in Section 6(b) hereof is material under applicable federal security 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.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Undertaking 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 or Assistant Superintendent of Business Services 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 Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no other designated Dissemination Agent in place, the District shall act as the Dissemination Agent.

The Dissemination Agent, if other than the District, shall be paid compensation for its services provided hereunder, and reimbursement for its costs and expenses. The Dissemination Agent shall not be responsible for the form or content of any document provided by the District hereunder.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Undertaking, the District may amend this Disclosure Undertaking under the following conditions, provided no amendment to this Disclosure Undertaking 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 Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Undertaking, the District shall have no obligation under this Disclosure Undertaking to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Undertaking.

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 Undertaking, 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 Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the District to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Undertaking 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.

Record Keeping. The District shall maintain records of all Annual Reports and notices of material Listed Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

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SECTION 13. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of California, applicable to contracts made and performed in such State of California.

CHINO VALLEY UNIFIED SCHOOL DISTRICT

By:____
Superintendent

Dated: April 29, 2020

ACCEPTED:

KOPPEL & GRUBER PUBLIC FINANCE,
as Dissemination Agent

By:____
Authorized Officer

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Chino Valley Unified School District

Name of Issue: $258,000,000 General Obligation Bonds, Election of 2016, Series 2020B (Federally Tax-Exempt)

$21,760,000 2020 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: April 29, 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 Disclosure Undertaking dated April 29, 2020. The Issuer anticipates that the Annual Report will be filed by _______________.

Dated: _____________________

[ISSUER/DISSEMINATION AGENT]

By: ____________________________________

APPENDIX E

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) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, 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") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").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.*The foregoing internet address is included for reference only, and the information on this internet site 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, 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 the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of

DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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 in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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 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 Los Angeles, California. 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 a Bond of any authorized denomination of like tenor upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX F

THE SAN BERNARDINO COUNTY POOL

The following information concerning the San Bernardino County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. Neither the District, the Financial Advisor nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: http://www.sbcounty.gov/ATC/Treasurer/. However, the information presented on such website is not incorporated into this Official Statement by any reference.

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REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY, CALIFORNIA AND RECORD OF ACTION

June 25, 2019

FROM: **ENSEN MASON, Auditor-Controller/Treasurer/Tax Collector**
Auditor-Controller/Treasurer/Tax Collector

SUBJECT: **TREASURER'S STATEMENT OF INVESTMENT POLICY**

RECOMMENDATION(S)

1. Renew Treasurer's authority to invest pursuant to Government Code Sections 27000.1 and 53607.
2. Approve the Treasurer's Statement of Investment Policy.

(Presenter: Ensen Mason, Auditor-Controller/Treasurer/Tax Collector, 382-7000)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS AND OBJECTIVES
Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT
Approval of this item will not impact Discretionary General Funding (Net County Cost).

BACKGROUND INFORMATION
California Government Code (CGC) Sections 27000.1 and 53607 provide for an annual renewal by the Board of Supervisors of its delegation of investment authority to the County Treasurer. Approval of Recommendation No. 1 will effectuate this renewal of authority.

On May 30, 2019, the Treasury Oversight Committee reviewed revisions to the County Investment Policy as recommended by the Treasurer, and noted no exceptions to the Treasurer's recommendations. The major changes recommended by the Treasurer are:

- Increase the maximum maturity limits of 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 from 5 years to 5.5 years, to allow for forward settlement dates and long-dated benchmark maturities. (CGC Section 53601(b))
- Increase the maximum maturity limits of 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 from 5 years to 5.5 years, to allow for forward settlement dates and long-dated benchmark securities. (CGC Section 53601(f))

cc: ATC- Mason
CAO- Lofton
File - Auditor-Controller/Treasurer/Tax Collector w/ attach
jr 07/02/19

ITEM 18

Record of Action of the Board of Supervisors
APPROVED (CONSENT CALENDAR)
COUNTY OF SAN BERNARDINO
Board of Supervisors

MOTION	MOVE	ABSENT	SECOND	AYE	AYE
	1	2	3	4	5

LAURA H. WELCH, CLERK OF THE BOARD

BY

DATED: June 25, 2019

Rev 7-12-16

- Remove the weighted-average-life maturity limit of Asset-Backed Securities to align language with current law after passage of Assembly Bill 1770 (now codified in CGC Section 53601(o) effective Jan 1, 2019).
- Increase the purchase limit on FDIC Insured Deposit Accounts Authorized under CGC Sections 53601.8 & 53635.8 from a maximum of $50MM per selected depository institution to a maximum of $100MM, to allow for higher liquidity holdings.
- Increase the purchase limit on JPA Investment Pools authorized under CGC Section 53601(p) from a maximum of $200MM per JPA Pool to a maximum of $300MM, to allow for higher liquidity holdings.

Approval of Recommendation No. 2 will approve the Treasurer's Statement of Investment Policy, as detailed in Attachment A.

PROCUREMENT
N/A

REVIEW BY OTHERS
This item has been reviewed by County Counsel (Robert F. Messinger, Principal Assistant County Counsel, 387-5455) on May 31, 2019; Finance (Carl Lofton, Administrative Analyst, 387-5404) on June 5, 2019; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on June 11, 2019.

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

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

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.

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.

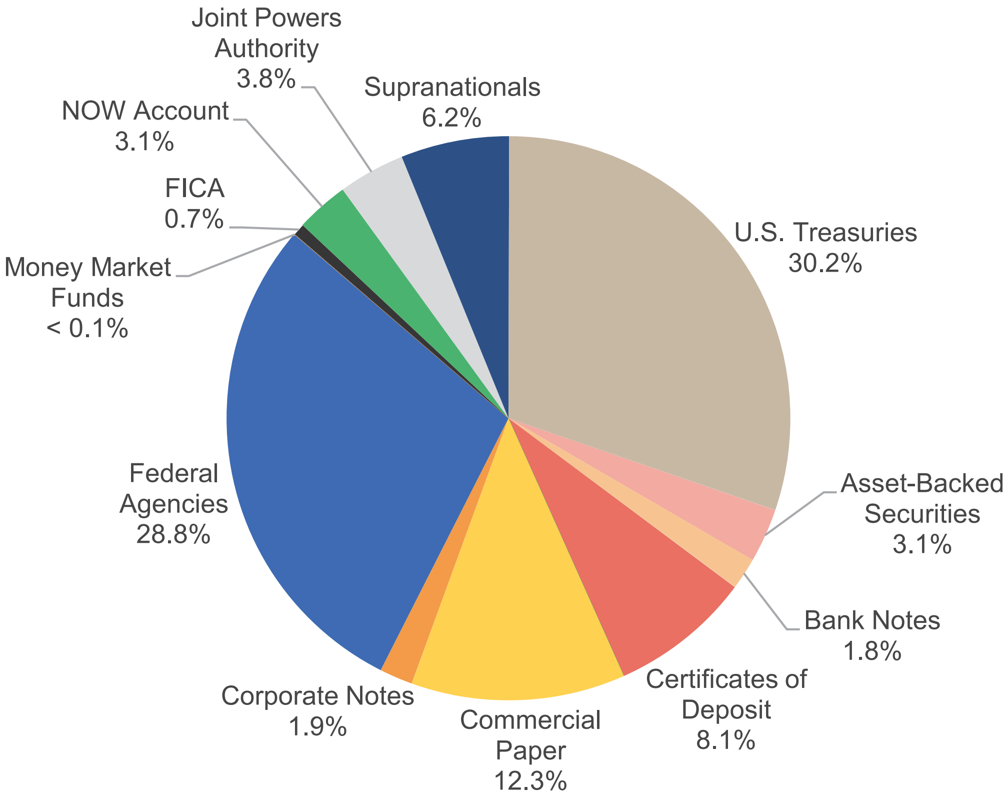
YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

San Bernardino County Pool Summary (as of 2/29/2020)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Modified Duration
Asset-Backed Securities	225,763,783.52	225,954,964.52	228,003,711.89	3.1%	2.08%	1,133	1.55
Bank Notes	135,000,000.00	135,026,211.15	136,322,671.00	1.8%	2.48%	469	1.25
Certificates of Deposit	600,000,000.00	600,000,000.00	600,577,120.00	8.1%	1.83%	113	0.30
Collateralized CD	0.00	0.00	0.00	-	-	-	-
Commercial Paper	912,000,000.00	910,089,064.09	910,246,032.00	12.3%	1.69%	44	0.12
Corporate Notes	139,300,000.00	138,847,821.35	141,249,546.60	1.9%	2.61%	591	1.57
Federal Agencies	2,094,038,000.00	2,097,250,294.91	2,135,916,550.22	28.8%	2.10%	716	1.89
Money Market Funds	2,000,000.00	2,000,000.00	2,000,000.00	0.0%	1.46%	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	0.7%	1.55%	1	-
NOW Account	225,000,000.00	225,000,000.00	225,000,000.00	3.1%	1.85%	1	-
Joint Powers Authority	282,000,000.00	282,000,000.00	282,000,000.00	3.8%	1.72%	1	-
Supranationals	455,000,000.00	454,500,131.00	459,987,730.00	6.2%	2.30%	323	0.86
U.S. Treasuries	2,200,000,000.00	2,194,298,573.00	2,242,476,562.50	30.2%	2.08%	807	2.14
Total Securities	**7,320,101,783.52**	**7,314,967,060.02**	**7,413,779,924.21**	**100.0%**	**2.02%**	**540**	**1.43**
Cash Balance	291,606,176.98	291,606,176.98	291,606,176.98				
Total Investments	**7,611,707,960.50**	**7,606,573,237.00**	**7,705,386,101.19**				
Accrued Interest		23,458,580.03	23,458,580.03				
Total Portfolio	**7,611,707,960.50**	**7,630,031,817.03**	**7,728,844,681.22**				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, and Fidelity money market funds.
2. Statistics for the total portfolio include money market funds.
3. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate.

Sector Distribution

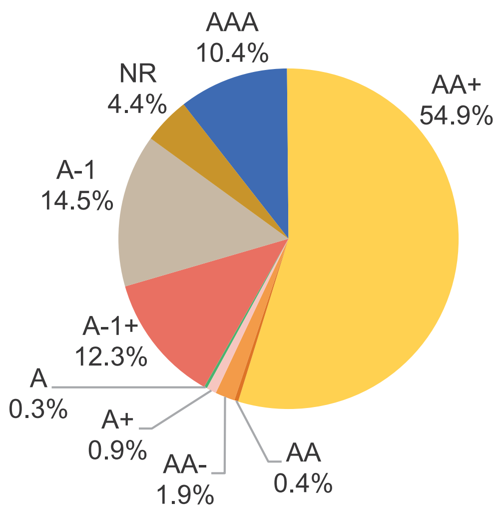


Sector	Market Value
Asset-Backed Securities	$228,003,712
Bank Notes	$136,322,671
Certificates of Deposit	$600,577,120
Collateralized CD	$0
Commercial Paper	$910,246,032
Corporate Notes	$141,249,547
Federal Agencies	$2,135,916,550
Money Market Funds	$2,000,000
Municipal Debt	$0
Repurchase Agreements	$0
FICA	$50,000,000
NOW Account	$225,000,000
Joint Powers Authority	$282,000,000
Supranationals	$459,987,730
U.S. Treasuries	$2,242,476,562

Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

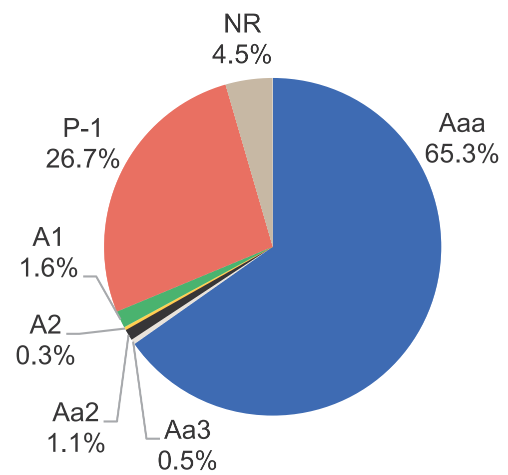
S&P RATINGS



Credit Rating	Market Value
A-1+ (Short-Term)	$908,397,683
A-1 (Short-Term)	$1,076,060,824
AAA (Long-Term)	$771,598,752
AA+ (Long-Term)	$4,072,372,531
AA (Long-Term)	$27,435,898
AA- (Long-Term)	$138,766,636
A+ (Long-Term)	$70,027,157
A (Long-Term)	$20,394,725
Not Rated	$328,725,718

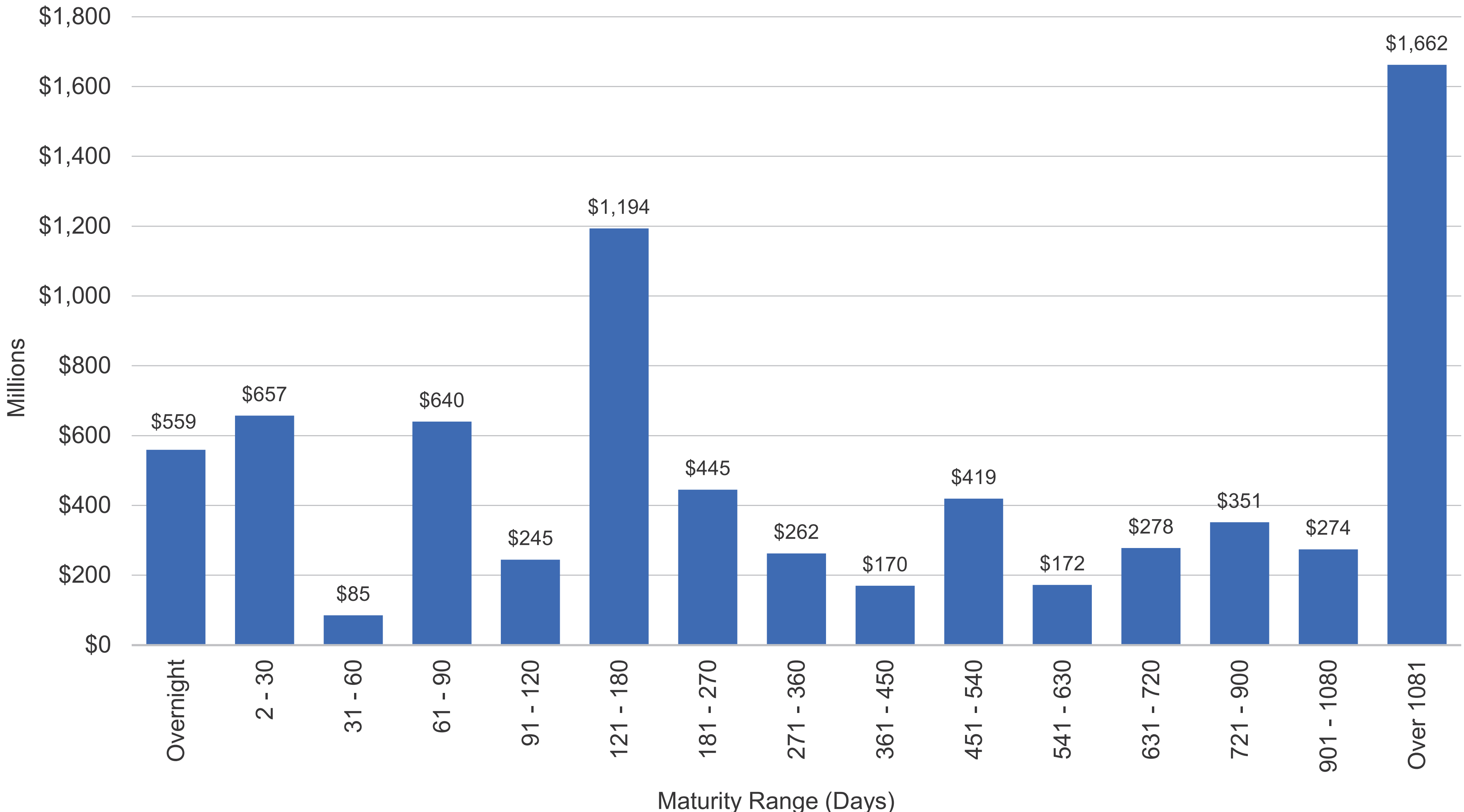
Percentages may not sum to 100% due to rounding.

MOODY'S RATINGS



Credit Rating	Market Value
P-1 (Short-Term)	$1,984,458,507
Aaa (Long-Term)	$4,838,137,219
Aa3 (Long-Term)	$35,565,730
Aa2 (Long-Term)	$80,236,448
Aa1 (Long-Term)	$0
A3 (Long-Term)	$0
A2 (Long-Term)	$20,394,725
A1 (Long-Term)	$120,427,513
Not Rated	$334,559,782

Maturity Distribution



Maturity range assumes no securities are called.

San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity At Cost
February 2019	2.18%
March 2019	2.21%
April 2019	2.25%
May 2019	2.25%
June 2019	2.27%
July 2019	2.25%
August 2019	2.24%
September 2019	2.16%
October 2019	2.12%
November 2019	2.11%
December 2019	2.04%
January 2020	2.04%
February 2020	**2.02%**

1. Gross yields not including non-earning assets (compensating bank balances) or administrative costs for management of the pool.
2. All historical yields restated to include money market funds.

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APPENDIX G

CERTAIN DATA CONCERNING THE REGIONAL ECONOMY OF THE CHINO VALLEY UNIFIED SCHOOL DISTRICT

General

The District lies within San Bernardino County (the "County") and includes property within three cities, Ontario, Chino and Chino Hills (collectively, the "Cities"). Major economic indicators, such as employment, sales and housing starts, are not available for the District. The following economic information regarding the County and the Cities is provided as a description of the regional economy.

San Bernardino County, located in Southern California, was established by an act of the State Legislature on May 23, 1853, forming the County from the eastern part of Los Angeles County. The County encompasses an area of over 22,000 square miles and includes seventeen incorporated cities.

A large and well-diversified economy ranging from agriculture to scientific equipment characterizes the County. It is widely known for its temperate climate, geographical location, and its educational and recreational facilities.

The County is the largest county in the State and the United States, encompassing 20,000 square miles. The County is bordered on the west by Los Angeles County, on the north by Kern and Inyo Counties and on the east and south by the County of Riverside. Composed essentially of three topographic regions - valley, mountain and desert - elevation in the County ranges from a high of 11,502 feet above sea level to a low of 181 feet above sea level. The Mojave Desert makes up much of the County, including the Mojave National Preserve in the eastern part of the County. The western part of the county includes the San Bernardino National Forest.

Population

Historical population figures for the Cities of Chino, Chino Hills, and Ontario, the County and the State are set forth in the table below.

POPULATION

Year	Chino	Chino Hills	Ontario	San Bernardino County	California
2015	85,041	78,022	168,177	2,123,562	38,952,462
2016	85,284	78,866	169,869	2,136,242	39,214,803
2017	86,950	81,417	172,359	2,156,115	39,504,609
2018	87,574	83,379	174,244	2,171,517	39,740,508
2019	89,829	84,364	178,268	2,192,203	39,927,315

Source: State of California, Department of Finance, Population Estimates for Cities, Counties and State.

Largest Employers

The following table lists the major employers in the County ranked by number of employees.

LARGEST EMPLOYERS
San Bernardino County
2018

Employer Name	Approximate Number of Employees in County	Type of Business
County of San Bernardino [3]	Greater than 10,000	Public Administration
Loma Linda University	Greater than 10,000	Education
Amazon	Greater than 10,000	Electronic Commerce
State of California	Greater than 10,000	Public Administration
Kaiser Permanente	5,000-9,999	Medical Center
Wal-Mart Associates	5,000-9,999	Retailer
San Bernardino City Unified School District	5,000-9,999	School District
Stater Bros. Market	5,000-9,999	Supermarket Retailer
U.S. Government	2,500-4,999	Public Administration
United Parcel Service	2,500-4,999	Shippers

Source: San Bernardino County 'Comprehensive Annual Financial Report' for the fiscal year ended June 30, 2018.

Industry

The County employment centers around services, retail trade and government. The following table shows the estimated number of labor force by industry group for the Riverside -San Bernardino-Ontario Metropolitan Statistical Area and the County for the period from 2014 through 2018.

	2014	2015	2016	2017	2018
Civilian Labor Force	1,916,500	1,954,200	1,983,300	2,017,700	2,053,400
Civilian Employment	1,761,200	1,825,800	1,865,200	1,914,900	1,966,800
Civilian Unemployment	155,300	128,500	118,000	102,800	86,600
Civilian Unemployment Rate	8.1%	6.6%	6.0%	5.1%	4.2%
Total Farm	14,400	14,800	14,600	14,500	14,500
Total Nonfarm	1,290,400	1,354,400	1,403,200	1,454,900	1,504,200
Total Private	1,061,600	1,121,100	1,160,900	1,203,900	1,246,600
Goods Producing	170,300	183,100	191,600	197,600	207,300
Mining and Logging	1,300	1,300	900	1,000	1,200
Construction	77,600	85,700	92,000	97,400	104,800
Manufacturing	91,400	96,200	98,700	99,200	101,300
Service Providing	1,120,100	1,171,200	1,211,700	1,257,300	1,296,900
Trade, Transportation and Utilities	314,800	333,100	347,900	365,500	378,300
Wholesale Trade	58,100	60,500	61,600	62,600	64,900
Retail Trade	169,600	174,400	178,300	180,900	180,800
Transportation, Warehousing and Utilities	87,100	98,100	108,000	122,100	132,600
Information	11,300	11,400	11,500	11,300	11,200
Financial Activities	42,900	44,000	44,600	44,200	43,700
Professional and Business Services	138,700	147,400	144,900	146,900	150,600
Educational and Health Services	195,900	206,300	215,700	226,700	240,000
Leisure and Hospitality	144,800	151,700	160,200	166,300	170,000
Other Services	43,000	44,000	44,600	45,400	45,600
Government	228,800	233,300	242,300	213,000	257,500
Total, All Industries	1,304,800	1,369,100	1,417,900	1,469,400	1,518,700

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. .Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix C.
Source: State of California, Employment Development Department, March 2018 Benchmark.

Employment

The table below lists recent employment and unemployment figures for the County.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT[1]
COUNTY OF SAN BERNARDINO
2014-2018

Year	Labor Force	Employment[2]	Unemployment[3]	Unemployment Rate (%)
2014	911,400	838,200	73,200	8.0
2015	926,600	866,800	59,800	6.2
2016	930,900	877,200	53,700	5.8
2017	944,300	897,800	46,500	4.9
2018	961,000	922,300	38,800	4.0

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. 2018 Benchmark.

Commercial Activity

Commercial activity is an important contributor to the County's economy. The table below shows the County's taxable transactions from 2014 through 2018. Annual 2019 data is not yet available.

TAXABLE SALES
COUNTY OF SAN BERNARDINO
(Dollars in Thousands)

Taxable Sales	2014	2015	2016	2017	2018
Motor Vehicle and Parts Dealers	$ 4,192,212	$4,785,920	$5,214,302	$5,312,062	$5,225,644
Home Furnishings & Appliance Stores	521,180	1,166,237	1,232,132	1,293,718	1,411,828
Electronics and Appliance Stores	493,755	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Building Material/Garden Equipment and Supplies	1,467,127	1,550,247	1,634,859	1,825,515	1,947,554
Food and Beverage Stores	1,277,955	1,292,113	1,297,815	1,371,778	1,457,928
Health and Personal Care Stores	501,325				
Gasoline Stations	3,731,517	3,271,754	2,992,638	3,262,356	3,784,768
Clothing and Clothing Accessories/Others	1,705,967	1,898,192	2,105,944	2,214,208	2,336,827
Sporting Goods, Hobby, Book and Music	558,576	N/A[1]	N/A[1]	N/A[1]	N/A[1]
General Merchandise Stores	3,211,590	3,354,434	3,398,364	3,512,928	3,618,710
Other Retail Group	1,414,636	2,955,247	3,273,977	3,275,146	3,428,976
Nonstore Retailers	336,269	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Food Services and Drinking Places	2,828,266	3,110,399	3,326,969	3,535,455	3,693,544
Total Retail and Food Services	22,240,376	23,384,547	24,477,002	25,603,171	26,905,783
All other outlets	$10,815,591	$12,195,728	$12,739,548	$12,796,201	$13,648,240
Total All Outlets	**$33,055,967**	**$35,580,275**	**$37,216,551**	**$38,399,372**	**$40,554,023**

[1] Category not available since commencing 2015.
Source: California State Board of Equalization for 2014; California Department of Tax and Fee Administration for 2015 through 2018.

TAXABLE SALES
CITY OF ONTARIO, CALIFORNIA
(Dollars in Thousands)

Type of Business	2014	2015	2016	2017	2018
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$1,227,425	$1,359,191	$1,508,983	$1,496,756	$1,476,857
Home Furnishings and Appliance Stores	192,031	199,165	189,769	217,500	213,477
Building Material/Garden Equipment and Supplies	202,652	190,190	N/A(1)	233,078	239,649
Food and Beverage Stores	78,163	82,400	N/A(1)	89,314	90,854
Gasoline Stations	620,235	503,460	N/A(1)	522,565	620,834
Clothing and Clothing Accessories Stores	511,444	537,606	581,247	627,651	651,408
General Merchandise Stores	193,389	199,248	209,072	221,235	220,380
Food Services and Drinking Places	353,589	380,410	401,949	421,935	451,265
Other Retail Group	787,674	828,275	1,743,290	945,313	885,444
Total Retail and Food Services	4,166,601	4,279,949	4,634,312	4,775,352	4,850,172
All other outlets:	$2,429,377	$2,894,798	$3,489,963	$2,895,595	$3,088,952
Totals All Outlets	**$6,595,978**	**$7,174,748**	**$8,124,275**	**$7,670,947**	**$7,939,124**

(1) Annual 2016 figures not available.
Source: California State Board of Equalization for 2014; California Department of Tax and Fee Administration for 2015 through 2018.

TAXABLE SALES
CITY OF CHINO, CALIFORNIA
(Dollars in Thousands)

Type of Business	2014	2015	2016	2017	2018
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 103,932	115,506	119,818	130,598	130,667
Home Furnishings and Appliance Stores	48,100	51,391	61,305	59,242	66,382
Building Material/Garden Equipment and Supplies	45,162	51,226	N/A[1]	69,145	66,325
Food and Beverage Stores	42,950	40,019	42,373	43,649	45,841
Gasoline Stations	133,724	117,476	N/A[1]	114,420	132,639
Clothing and Clothing Accessories Stores	105,015	92,882	95,831	93,399	96,748
General Merchandise Stores	239,849	250,410	N/A[1]	241,099	250,944
Food Services and Drinking Places	132,347	143,853	N/A[1]	158,358	165,769
Other Retail Group	115,855	112,688	670,056	116,494	117,835
Total Retail and Food Services	966,934	975,456	989,385	1,026,407	1,073,153
All other outlets:	$ 873,714	$998,076	$1,116,670	$1,248,057	$1,466,392
Totals All Outlets	**$1,840,648**	**$1,973,533**	**$2,106,056**	**$2,274,465**	**$2,539,546**

[1] Annual 2016 figures not available.
Source: California State Board of Equalization for 2014; California Department of Tax and Fee Administration for 2015 through 2018.

TAXABLE SALES
CITY OF CHINO HILLS, CALIFORNIA
(Dollars in Thousands)

Type of Business	2014	2015	2016	2017	2018
Retail and Food Services:					
Motor Vehicle and Parts Dealers	$ 15,794	$16,041	$18,061	$12,792	$12,175
Home Furnishings and Appliance Stores	15,663	16,514	16,625	16,227	17,168
Building Material/Garden Equipment and Supplies	N/A[1]	30,977	30,679	29,961	31,172
Food and Beverage Stores	52,834	39,590	40,219	40,489	40,850
Gasoline Stations	98,245	97,709	85,007	90,920	99,623
Clothing and Clothing Accessories Stores	38,520	38,063	39,275	40,935	39,954
General Merchandise Stores	-[1]	130,276	124,863	132,858	132,600
Food Services and Drinking Places	131,363	146,672	157,632	163,713	166,365
Other Retail Group	217,275	60,274	68,554	63,209	57,669
Total Retail and Food Services	569,695	576,122	580,917	591,108	597,581
All other outlets:	$ 92,014	$102,789	$99,663	$111,955	$126,874
Totals All Outlets	**$661,709**	**$678,911**	**$680,581**	**$703,063**	**$724,456**

[1] 2014 data not available.
Source: California State Board of Equalization for 2014; California Department of Tax and Fee Administration for 2015 through 2018.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2014 through 2018 are shown in the following tables for the County and the Cities.

SAN BERNARDINO COUNTY
BUILDING PERMIT VALUATIONS
For Years 2014 through 2018
(Valuations in Thousands)

	2014	2015	2016	2017	2018
Residential	$ 708,471	$1,056,572	$ 888,142	$ 1,366,023	$1,455,281
Non-Residential	958,267	1,146,722	994,282	1,285,5697	1,080,130
Total	$1,666,738	$2,203,294	$1,882,423	$2,651,620	$2,535,411
Units					
Single Family	1,937	2,753	2,896	4,235	3,311
Multiple Family	1,266	1,159	976	2,578	1,775
Total	3,203	3,912	3,872	6,831	5,086

Note: Totals may not equal sums due to rounding.
Source: California Homebuilding Foundation CHF|CIRB.

CITY OF ONTARIO
BUILDING PERMIT VALUATIONS
For Years 2014 through 2018

	2014	2015	2016	2017	2018
Residential	$ 52,924,595	$ 78,418,915	$119,455,612	$239,932,043	$512,022,538
Non-Residential	88,020,307	201,268,482	95,750,324	122,242,822	185,202,363
Total	$140,944,902	$279,687,397	$215,205,936	$362,174,865	$697,224,901
Units					
Single Family	131	291	446	648	1,056
Multiple Family	306	241	206	1,100	273
Total	437	531	650	1,748	1,329

Note: Totals may not equal sums due to rounding.
Source: California Homebuilding Foundation CHF|CIRB.

CITY OF CHINO
BUILDING PERMIT VALUATIONS
For Years 2014 through 2018

	2014	2015	2016	2017	2018
Residential	$111,689,122	$200,475,527	$145,039,000	$181,273,000	$180,371,000
Non-Residential	74,826,390	63,912,030	111,176,000	392,922,000	136,375,000
Total	$186,515,512	$264,387,557	$256,215,000	$181,273,000	$316,746,000
Units					
Single Family	272	396	370	602	378
Multiple Family	136	447	200	0	454
Total	408	843	570	602	832

Note: Totals may not equal sums due to rounding.
Source: California Homebuilding Foundation CHF|CIRB.

CITY OF CHINO HILLS
BUILDING PERMIT VALUATIONS
For Years 2014 through 2018

	2014	2015	2016	2017	2018
Residential	$54,424,648	$49,327,700	$ 96,826,900	$212,440,845	$180,370,273
Non-Residential	8,253,560	15,559,250	44,979,000	25,657,753	11,573,829
Total	$62,678,208	$64,886,950	$141,795,900	$238,098,598	$191,944,102
Units					
Single Family	30	108	117	369	378
Multiple Family	297	0	331	650	454
Total	327	108	448	1,119	832

Note: Totals may not equal sums due to rounding.
Source: California Homebuilding Foundation CHF|CIRB.